

Explaining Foreign Policy Change in Transitional States: A Case Study of Ukraine between Two Revolutions

By
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ABSTRACT

Over the span of a decade, Ukraine saw two revolutions that rocked its political and social life to the very core. The Orange revolution of 2004, a watershed event in the post-Soviet history of East European states, reversed the authoritarian trend in the country and proclaimed its course for democracy and integration with the European Union. However, reforms and electoral promises of the revolutionary leaders quickly turned into shambles, and instead another pro-Russian authoritarian leader consolidated power. As Ukrainian political elites vacillated between closer ties with the EU to its west and the Russian Federation to its east, the 2014 Revolution of Dignity rose again to defend the European future for Ukraine.

In this work, I investigate the driving forces shaping foreign policymaking in Ukraine during these years. I posit that it was precisely because such policies were shaped in an uncertain post-revolutionary transitional political environment that we are able to see seemingly contradictory shifts in Ukraine's relations with the EU and Russia. To understand how the process of foreign policy making works in a transitional state, I develop a new theoretical approach that combines insights from poliheuristic theory in foreign policy analysis with comparative politics' scholarship on developing party systems. I argue that leaders in transitional states face a different kind and level of political uncertainty. Transitional uncertainty shortens leaders' time horizons and prompts them not to seek re-elections, but rather pursue narrower personal and political benefits in the transitioning political system. In such context, transitional leaders rely on 'party substitutes' to provide them with a wealth of material, organizational and reputational resources, such as a safe exit, a personal remuneration, a party seat, and others.

Poliheuristic theory suggests that domestic politics is a primary and non-compensatory consideration in foreign policymaking. I elaborate a causal mechanism that links transitional

uncertainty, party substitutes' interests and foreign policy change. I advance that party substitutes' interests, such as oligarchic ones in Ukraine, are the key components in understanding how Ukrainian leaders built their foreign relations with the EU and Russia in the post-revolutionary period. The changes in Ukrainian leadership during the period of transition led to the changes in their oligarchic connections. The change in oligarchic interests influenced the corresponding foreign policy change that would take place. I process trace the empirical data in support of my theoretical argument in a multi-level analysis of documentary sources, historical records and chronicles, and primary data derived from interviews and personal observation, and provide an in-depth investigation of foreign policy making in Ukraine from 2004 through 2011.

The causal mechanism I elaborate is theoretically open for subsequent extensions and empirical applications to foreign policymaking during transitions of other countries around the world. By applying this mechanism to the historically important post-revolutionary period in Ukraine, this work aims to be the first systematic and theory-driven English language study of Ukraine's foreign policy at the turn of the 21st century.

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DEDICATION

To my Father

“As to more than these, my son, beware.

*Of the making of many books there is no end,
and in much study there is weariness for the flesh.”*

Ecclesiastes 12:12

Table of Contents

ABSTRACT.....	iii
ACKNOWLEDGEMENT.....	vi
DEDICATION.....	vii
List of Figures.....	xi
List of Tables.....	xiii
List of Abbreviations.....	xiv
Chapter 1 INTRODUCTION	1
<i>1.1. Research Question and Theoretical Argument</i>	<i>2</i>
<i>1.2. Theoretical Contribution</i>	<i>5</i>
<i>1.3. Ukrainian Transition and Universe of Cases</i>	<i>8</i>
<i>1.4. Methodological Note</i>	<i>9</i>
Chapter 2 THEORETICAL GROUNDS	11
<i>2.1. Conceptualization of Foreign Policy Change</i>	<i>11</i>
<i>2.2. Cognitivist Approach to Uncertainty and Its Role in Decision Making</i>	<i>15</i>
Chapter 3 METHOD OF STUDY AND OPERATIONALIZATION OF VARIABLES ...	24
<i>3.1. Definition of the Method</i>	<i>24</i>
<i>3.2. “Ten Steps for Good Process Tracing” for Ukrainian Foreign Policy Case</i>	<i>28</i>
<i>3.3. Putting the Method to Work: Operationalization and Data</i>	<i>38</i>
<i>3.3.1. Operationalization of Transition</i>	<i>40</i>
<i>3.3.2. Operationalization of Uncertainty</i>	<i>43</i>
<i>3.3.3. Operationalization of Foreign Policy Decision Maker and Party Substitute Interests</i>	<i>47</i>
<i>3.3.4. Operationalization of Foreign Policy Change</i>	<i>49</i>

Chapter 4 POLITICAL TRANSITION IN UKRAINE: AN EMPIRICAL EVALUATION

.....	53
4.1. <i>Beginning of Political Transition in Ukraine: 2000-2003</i>	54
4.2. <i>Political Transition after the Orange Revolution, 2005-2009</i>	59
4.2.1. <i>Declared Values of the Orange Revolution Political Actors</i>	60
4.2.2. <i>Orange Promises Kept and Broken: Unfinished Reforms, Incomplete Transition</i>	65
4.2.2.1. <i>Reform of the Presidential Administration in Ukraine</i>	67
4.2.2.2. <i>“Civil Society Participation Boards:” Bringing Government Closer to People</i>	77
4.2.2.3. <i>Professional Civil Service of Ukraine: The Reform That Never Took Off</i>	82
4.2.2.4. <i>“Bandits – Behind the Bars!” or Not? A Highly Visible Failure</i>	87
4.3. <i>Conclusions on Political Transition in 2000-2009</i>	93
Chapter 5 POLITICAL UNCERTAINTY AFTER THE ORANGE REVOLUTION	96
5.1. <i>Pace of Political Transition: An Unexpected Revolution?</i>	97
5.2. <i>Political Competition Under President Kuchma: Representation or Mirage?</i>	102
5.3. <i>State Building after the Orange Revolution: High-Stake Battles for Institutional Changes</i> 109	
5.4. <i>Economic Downturn: An Assessment of the Orange Government Years</i>	123
5.5. <i>Transitional Uncertainty: A Summary Assessment</i>	126
Chapter 6 ORANGE LEADERS AND PARTY SUBSTITUTES	128
6.1. <i>Party Substitutes in Ukraine: Emerging Role of Oligarchs</i>	130
6.2. <i>Oligarchs and Orange Government: An Unsevered Tie</i>	137
6.3. <i>Viktor Yushchenko and Oligarchic Foreign Interests</i>	146
Chapter 7 UKRAINIAN FOREIGN POLICY, 2005-2009	154
7.1. <i>Background: President Kuchma’s Foreign Policies - “Ukraine is Not Russia”</i>	156
7.2. <i>“The European Ukraine” of President Yushchenko: Between Words and Deeds</i>	162

7.2.1.	<i>The Orange Government and the EU, 2005-2009: Foreign Policy Program Change</i>	163
7.2.2.	<i>Ukraine and Russia, 2005-2009: A Foreign Policy Tango of Readjustment Change</i>	175
7.3.	<i>Oligarchic Interests in Orange Foreign Policy Change: The Economic Argument</i>	184
Chapter 8 TRANSITIONAL YEARS UNDER VIKTOR YANUKOVYCH AND		
UKRAINE’S FOREIGN POLICY, 2010-2011		201
8.1.	<i>Theoretical Note</i>	201
8.2.	<i>End of Orange Dream: President Yanukovych and Consolidation of Power</i>	205
8.3.	<i>Transitional Uncertainty during Viktor Yanukovych Presidency</i>	210
8.4.	<i>Viktor Yanukovych and His Oligarchic “Family”</i>	224
8.5.	<i>Ukraine’s Foreign Policy: Two Steps Forward, One Step Back with Russia and the EU</i>	230
8.5.1.	<i>Ukraine and Russia: The Thaw Settled In</i>	235
8.5.2.	<i>Ukraine and the EU: The Growing Pains</i>	240
8.6.	<i>Foreign Policy Changes and Yanukovych’ Party Substitutes</i>	244
Chapter 9 CONCLUSIONS AND DISCUSSION		251
9.1.	<i>Assessment of Research Results</i>	251
9.2.	<i>Discussion</i>	256
9.3.	<i>Future Research</i>	259
REFERENCES		262

List of Figures

Figure 2.1	Model of the Causal Dynamics of Foreign Policy Change	14
Figure 3.1.	Typology of Cases	35
Figure 3.2.	Template for a Two-Part Causal Mechanism.....	38
Figure 3.3.	CM Diagram: Foreign Policy Change under Transitional Uncertainty	39
Figure 3.4.	Model to Estimate Levels of Transitional Uncertainty.....	46
Figure 3.5.	Causal Chain for Foreign Policy Change under Transition.....	51
Figure 5.1.	Ukraine's Freedom of Association Index, 1994-2004.....	103
Figure 5.2.	Components of the Freedom of Association Index (1) for Ukraine, 1994-2004...	104
Figure 5.3.	Components of the Freedom of Association Index (2) for Ukraine, 1994-2004...	107
Figure 5.4.	Liberal Democracy Index for Ukraine, 1991-2009.....	111
Figure 5.5.	Executive-Parties Dimension Shifts and State Building Levels.....	114
Figure 5.6.	Ukrainian State Building, 2004-2009	122
Figure 5.7.	Ukraine's GDP growth per capita, 2002-2010	124
Figure 7.1.	Ukraine's Largest Trading Partners, 2000-2010.....	186
Figure 7.2.	Ukraine's Trade Dynamic, 2005-2015 in billion USD.....	187
Figure 7.3.	Russia's Share in Ukraine's Total Export, 2000-2010	188
Figure 7.4.	Ukraine's Total Export by Product, 2000-2010.....	188
Figure 7.5.	Ukrainian Total Import by Product, 2000-2010	189

Figure 7.6. Ukrainian Consumption of Natural Gas, 2000-2010	190
Figure 7.7. Ukrainian Import of Natural Gas, 2000-2010.....	190
Figure 8.1. Freedom of Association Index for Ukraine, 2005-2010.....	212
Figure 8.2. Components of Ukraine’s Freedom of Association Index-1, 2005-2010.....	213
Figure 8.3. Components of Ukraine’s Freedom of Association Index-2, 2005-2010.....	213
Figure 8.4. Ukraine’s Liberal Democracy Index, 2005-2011	214
Figure 8.5. Ukraine’s Institution Building, 2010-2011	220
Figure 8.6. Ukraine’s GDP growth per capita in %, 2004-2014.....	222
Figure 8.7. Ukraine’s Export Share of Steel Production, 2009-2015.....	227

List of Tables

Table 5.1.	Transitional Uncertainty Levels from State-Building and Democratization	110
Table 5.2.	Effective Number of Parties for Ukraine at the electoral level, 2002-2007	116
Table 5.3.	Three-year averages of GDP growth rates per capita, 2002-2010	125
Table 7.1.	Government Document Activity on European Integration, 1994-2017	167
Table 7.2.	Government Document Activity on Russian Federation, 1991-2017	176
Table 8.1.	Ukraine's Scores on Freedom of House Rating "Freedom in the World"	207
Table 8.2.	Three-year averages of GDP growth rates per capita in %, 2010-2012	221
Table 8.3.	Government Document Activity on Russian Federation under Yanukovych ...	235
Tables 9.1 and 9.2	Ukrainian Public Opinion on Russia and the EU, 2000-2013	258

List of Abbreviations

AA	Association Agreement of Ukraine and the European Union
APU	Administration of the President of Ukraine
CM	Causal mechanism
CSO	Civil society organization
CSPB	Civil society participation board
ECI	Economic complexity index
ENP	Effective number of parties
EU	European Union
FP	Foreign policy
FPA	Foreign policy analysis
GUAM	Organization for Democratic and Economic Development of Georgia, Ukraine, Azerbaijan and Moldova
GDP	Gross domestic product
HR	Human resources
IMF	International Monetary Fund
IUD	Industrial Union of Donbas
MDCS	Main Department of Civil Service of Ukraine
NADU	National Academy of Public Administration of Ukraine
NATO	North Atlantic Treaty Organization
NCC	National Constitutional Council of Ukraine
NDU	National Democratic Party of Ukraine

OSCE	Organization for Security and Cooperation in Europe
PAC	EU-Ukraine Partnership Association Agreement
PH	Poliheuristic theory
PM	Prime Minister
RUE	RosUkrEnergo
SCM	System Capital Management Holding Company
SDPU (o)	Social Democratic Party of Ukraine (united)
SPU	Secretariat of the President of Ukraine
UAH	Ukrainian currency hryvnia
US	United States of America
USD	US Dollars
WTO	World Trade Organization

Chapter 1

INTRODUCTION

“Ukraine is opening the European history of the third millennium!” – ambitiously proclaimed the newly elected President Viktor Yushchenko on 23 January, 2005, in front of a half-a million crowd and the diplomatic corps from fifty-nine states. (Yushchenko 2005). Likening the Ukrainian Orange revolution of 2004 that swept him into power to the fall of the Berlin Wall and the Polish Round Table talks of 1989, Mr. Yushchenko asserted that Ukraine’s destiny lay within the European Union (EU). He pledged to “consistently and boldly” to pursue this “national strategy” in foreign policy. Once in power, despite multiple rounds of negotiations with his European partners, President Yushchenko and his team missed to secure the EU membership prospects for the country, and refocused on Ukraine’s complex relationship with the neighboring Russian Federation. Ukraine’s dramatic foreign policy change, boldly announced at the backdrop of the Orange revolution inauguration never fully took off in as anticipated.

In contrast, when the opponent of the ‘Orange’ camp, Viktor Yanukovich, took office as a new head of state in 2010, he emphasized that his foreign policy for Ukraine would shy away from joining any global alliances. Rather, Ukraine would develop “equal partner relations with Russia, EU and the US” (Yanukovich 2010). His strong business and political connections to the Russian Federation and President Putin left little doubt in the minds of analysts as to where his foreign policy was headed – predominantly to the East, i.e. to closer relations with Russia. Nevertheless, flying in the face of these expectations came a new foreign policy change. Almost two years later, much to the disappointment of his Russian colleagues placing high stakes on the Eurasian Economic Union, Viktor Yanukovich declared unequivocal course toward signing the

Association Agreement with the EU. He emphasized that “the project to unite Europe will not be complete as long as such large European states and nations as Ukraine remain beyond its borders”(2011b). He then declared that the year of 2012 to be “without exaggeration, a determinative year for our state... We have started a new level of relations with the European Union” (2012).

But two weeks before the signature of the EU-Ukraine Association Agreement in November 2014, a new drastic and unanticipated foreign policy change occurred. Mr. Yanukovich’ government halted all preparation for the official signing ceremony and retracted on its commitments to enter into the agreement. Despite massive protests growing on streets of Kyiv and other cities around the country, Viktor Yanukovich, contrary to public demand, did not sign the Association agreement. He fled the country shortly thereafter, as the Euromaidan revolution opposing his regime engulfed Ukraine.

1.1. Research Question and Theoretical Argument

Why did these foreign policy shifts take place in Ukraine, and how are we to make sense of continuity and changes in foreign policy of states undergoing transition? This is a larger theoretical question that animates my research agenda. I explore it in this dissertation on Ukrainian foreign policy making in the period between two watershed events, the Orange revolution of 2004 and the Euromaidan revolution of 2014, which both revealed deep pro-Western vs. pro-Russian orientation conflicts in the Ukrainian foreign policy. I select this case with a theory building research objective in mind: to illuminate how specific *domestic factors* characteristic to states in transition from one regime to another impact their *foreign policy*

change. Taking insights from poliheuristic theory (Brulé 2008; Kinne 2005; Mintz 2005; Oppermann 2014) and academic works on foreign policy change (Gustavsson 1999; C. F. Hermann 1990; Welch 2005), I develop a new theoretical way to incorporate the concept of *uncertainty* persistent in transitional regimes (Lupu and Riedl 2013) to explain how conditions of uncertainty impact actors' decision-making process and thus produce foreign policy changes.

My major argument centers on the concept of uncertainty understood from the viewpoint of cognitivism in international relations (Goldgeier and Tetlock 2001; Tetlock 1998). In this framework, uncertainty originates from ambiguity of information in the complex world of political and social interactions. In the face of such complexities, decision makers are limited in their cognitive abilities to accurately perceive cause and effect connections of the context in which they are working. Thus 'analytically' uncertain (Iida 1993), actors adopt cognitive shortcuts to arrive at necessary decisions.

The poliheuristic theory (PH) in foreign policy analysis suggests that the most essential of such heuristics is rejecting any alternatives that harm actors' political prospects with domestic audiences (Mintz 1993, 600). Domestic political losses cannot be compensated by any other advantages- no matter how attractive - on other dimensions (military, etc.) of a decision alternative. Thus, because political actors are primarily concerned with domestic political costs, foreign policy decisions are inherently tied to domestic calculations (Mintz 2004, 7). The domestic politics' dimension of foreign policy decision making is based on an assumption that leaders – in democratic and autocratic regimes alike – are concerned primarily with retaining political power and staying in office (Kinne 2005, 118).

In this research project, I take the concept of uncertainty further by looking at how decision makers are influenced by uncertainty in significantly more complex conditions of

political regime *transitions*. I argue that with a regime change, the transitional uncertainty is different in type and degree from normal conditions (Jung and Deering 2015). It shortens horizons for political actors to the point where seeking to stay in the office is not a major guiding principle of their behavior (Lupu and Riedl 2013). Rather, not being able to calculate their reelection prospects under transitional uncertainty, political actors at the helm of the state are primarily concerned with securing their personal and political fortunes during and past their initial term and it does not have to result in reelection. In order to achieve that personal and political security, they resort to support from individuals and groups whose projected political influence is deemed to be further-reaching than their own: political parties and ‘party substitutes,’ such as politicized financial-industrial groups (Hale 2005). Whereas the fortunes of reelection cannot be properly assessed in the tumultuous transition, the interests of parties and party substitutes are much more easily identifiable and thus more predictable to work with for a political actor. In return for short-term ‘pork’ and logrolling, these groups offer a politician a sizable financial support (legally or illegally channeled), a comfortable party seat after his term, or a guarantee of a safe exit without legal persecution if transitional turmoil increases.

Outcomes of political decisions, and of a foreign policy decision in particular, are thus closely associated with the degree of uncertainty a political leader is facing. If uncertainty is high, a political leader will primarily seek to accommodate particular groups to secure one’s own political and personal fortune during and past his/her initial term and the resulting decision taken will be beneficial and traceable to the interests of these groups. When the uncertainty is low, the political leaders are more attuned to cutting wider domestic losses with their electorate on a particular issue in a decision making process. Changing levels of uncertainty thus provide us with an analytical window into the ‘why’ and ‘how’ of foreign policy shifts and changes in states

undergoing transition: political leaders may be motivated by differing calculations of interest under varying levels of uncertainty on the same issue of international import.

In order to further elaborate this connection between transitional uncertainty, party substitutes and foreign policy change, in this research I develop a new causal mechanism which I process trace in the case study of the contemporary Ukrainian foreign policy. With a clear set of scope conditions, I argue that such research is able to generate larger theoretical propositions applicable in a more generalizable manner to a host of other transitional countries that face their own foreign policy challenges.

1.2. *Theoretical Contribution*

The case of Ukraine in 2005-2011 uniquely speaks to three underexplored areas in the field of foreign policy analysis (FPA). From its inception in the foundational works by Richard Snyder (1962), James Rosenau (1966), and Harold and Margaret Sprout (1956), FPA has been striving for systematic organization of its thought and cross-national applicability of generalizations about nation-state foreign policy behavior. After decades of fruitful development, the field arrived at the dawn of the 21st century with the following significant theoretical challenges yet to be addressed.

First, FPA analytical endeavors for the most part have tended to focus on crisis decision making, such as choices to engage in a war, impose sanctions, etc., while “foreign policy decision making in the *absence* of crisis-related factors has gone largely unexplored” (Astorino-Courtois and Trusty 2003, 29). Put differently, presently we know more about how one-time foreign policy decisions are made in separate and relatively short-time instances under conditions

of significant situational urgency and stress, than about how the continuity of foreign policy is preserved or changed over longer stretches of time.

Secondly, with the Cold War looming large on empirical and normative agenda of FPA scholars for decades, foreign policy analysts tended to focus on great powers and their foreign policy behavior on international arena, rarely paying attention to small or middle states. Presumably, this is due to their lesser power capabilities and perceived inability to “never, acting alone or in a small group, make impact on the [international] system” at large (Keohane 1969, 296). The mainstream international literature and FPA within it, has conventionally told a story of great power politics and downplayed the strategies employed by small and middle states, less resourceful to accomplish their goals.

But the end of Cold War brought a new dynamic into the practice of international relations, where these states are longer pawns in the global competition for the superpower status and “today they enjoy more international visibility and prestige than at any other time in history” (Hey 2003, 1). And yet, according to Braveboy-Wagner (2003), “scholars are less likely than before to consider third world countries as having theoretical relevance to the foreign policy... enterprise.” Several years later, examining the field, Marijke Breuning also underscored that small states’ foreign policy behavior and all the more prominent role in global affairs deserves a more consistent theoretical treatment within FPA than hitherto acknowledged (2007, 172).

Thirdly and closely connected to the previous point, having maintained largely limited North-Atlantic geographical focus on greater powers, most often FPA has treated cases of advanced industrialized democracies. And although from its theoretical beginnings FPA paid heed to domestic characteristics of a state, including those of regime type, it nonetheless heavily relied on one dichotomy of democratic/authoritarian regimes to account for foreign policy. FPA

has not sufficiently caught up with the rich dialogue in comparative politics on regime transitions, reversals and ‘grey zone’ cases of states that are resiliently stuck between democracy and authoritarianism. Foreign policies of these states in transition have not been considered as having an analytical merit of being treated as a separate category. With some exceptions, it is only recently that the field started to turn its attention to the foreign policymaking of states other than advanced democracies or entrenched autocracies. It has just started to provide us with insights on how the theoretical propositions molded on the empirical examples of such states bear out in other political contexts.¹ To reiterate, as Margaret G. Hermann (2001, 49) writes: “To date, models of foreign policy decision-making ... have not fared as well when extended to ... nondemocratic, transitional and less developed polities.”

The case study of Ukrainian foreign policymaking in transition is uniquely poised to contribute to all the three understudied areas of FPA outlined above. First, by selecting a period of almost a complete decade - with an additional brief contextualization of the foreign policy practice that preceded the Orange revolution - I will examine the continuity in foreign policy making, as well as show how concrete foreign policy decisions are adopted in crisis-driven situations in the larger historical context of the time period I examine.

In addition, the case of foreign policy making in Ukraine is welcome in the FPA research as it suggests a study of exactly the kind of international actors that have been traditionally under-researched in the current FPA scholarship. Ukraine is both a ‘small power’ and a state that does not belong to either North American or Western European traditionally explored countries and has been democratizing and reversing at different points over past 25 years. And yet, as the

¹ See, for instance, Brummer and Hudson (2015); and Giacalone (2012).

present violent events in Ukraine strongly suggest, its geopolitical position at the crossroads of the European Union and the Russian Federation and its foreign policy orientation between the West or the East give rise to extremely complicated international situation with global repercussions.

1.3. Ukrainian Transition and Universe of Cases

Ukraine has been undergoing complex social, economic and political transformations since the breakdown of the Soviet Union in 1991, including two power reversals in 2004 and 2014 that were popularly termed as ‘revolutions.’ And whereas the nature of its quarter-century political and economic reforms remains controversial insofar as levels of corruption, civil liberties and other areas of good governance are concerned, the Ukrainian case has many parallels with transition dynamics characteristic to other countries in the region, such as Georgia, Kyrgyzstan, Moldova, as well as Russia and the Baltic states in early stages of their new independence, along with a number of Balkan countries complimented by other post-communist states in Eastern and Central Europe.

To cast an even wider geographic net, regime changes that occur under popular demands in countries undergoing significant social and political transformations, are well abundant and familiar to students of Latin America, but they are also characteristic to numerous states that in recent history have undergone regime transitions, such as Turkey, Nigeria, South Korea, Thailand, Bangladesh and Pakistan. Their foreign policies play nontrivial role in power relations in their respective regions. In fact, under the definition of ‘transitional’ state that I adopt here from Ron Francisco (2000) and dwell on in more detail in Chapter 1, the author counted as many as 40 transitioning states in his sample period of 1979 - 1992. And although the many of them

are attributable to the collapse of the USSR and the end of the Cold War bipolarity, numerous transitions still occur for various domestic and international reasons. The larger point here, therefore, is that theoretical insights from and the empirical relevance of the study of Ukraine in transition may be well explored beyond its temporal and geographic scope, expanding the field of FPA in pertinent ways that address the existing gaps in our academic knowledge.

1.4. *Methodological Note*

The methodological path to such knowledge that I take in this research is the application of qualitative tools of analysis. For my single case study, I use process tracing to establish proposed theoretical connections between the variables. Process tracing in social science is a method based on systematic examination of diagnostic pieces of evidence using in-depth single case study that unwraps and divides the cause-effect link into “smaller steps; then the investigator looks for observable evidence of each step” (Bennett 2010; Van Evera 1997, 64). Building on original work of Alexander George and others, qualitative methodologists have built significant argumentation in favor of using process tracing for causal inferences for within-case study. Beach and Pederson (2013) further argue that process tracing could be used for theory building research. Methodological procedure founded on inductive reasoning allows a researcher to build new theoretical suggestions based on the investigated case. Following their guidelines, I employ Beach and Pederson’s theory-building process tracing to the case of Ukraine between 2005 and 2011, dividing this period in two segments.

This dissertation is structured in the following way. Chapter 2 sets the current research within FPA literature and more specifically shows how the current research expands on the theoretical scope of the poliheuristic theory. The key concepts that I seek to investigate - ‘foreign

policy change', 'uncertainty' and 'transition' - are then elaborated and analytically fitted into the framework of the causal mechanism that I develop. Chapter 3 deals with methodological backbone of this work and explains the research design of the dissertation, focusing on the process tracing as the chosen method. This chapter also provides the operationalization for the causal mechanism under study. This causal mechanism is then sequentially traced in the five chapters that follow. Chapter 4 deals with the first component of the causal mechanism: the political transition in Ukraine leading to the Orange revolution and the struggles that the Orange leaders faced to put in practice their revolutionary values. Chapter 5 unpacks the next element of the causal mechanism: the uncertainty that conditioned the decision making process for the Orange leaders in transitional period. Chapter 6 follows the political and financial connections of the Orange team to their party substitutes, the Ukrainian oligarchs. Chapter 7 evaluates the Ukraine's foreign policies under Viktor Yushchenko in 2005-2009, providing a brief survey of the policies of his predecessor, Leonid Kuchma. Chapter 8 analyzes the foreign policy of Viktor Yanukovich in his first years of the presidency. Chapter 9 provides a general assessment of the results of the research and discusses some alternative explanations along with possible extension of this research in future. With such detailed approach, my goal is to produce the first systematic and theoretically-driven work in English on the Ukrainian foreign policy of the first decade in the 21st century.

Chapter 2

THEORETICAL GROUNDS

In this Chapter, I will focus on two main concepts that define the research question set before me. The first is the concept foreign policy change. I start by reviewing the existing literature in the foreign policy analysis that tackles this concept. I then focus on the second key concept: political uncertainty and review strands of research from both comparative politics and international relations. I specify how uncertainty could be integrated with the insights from the poliheuristic theory and applied to political transitions. I end the Chapter by suggesting the causal mechanism that links political transition, uncertainty, party substitutes and foreign policy change.

2.1. Conceptualization of Foreign Policy Change

Foreign policy change has not been in a stable focus of scholars in the discipline. Indeed, since the inception of the foreign policy analysis (FPA) as a field, the creative energies of the researchers were directed towards delineating of foreign policy (FP). In the context of seeming stability of foreign policy orientations during the Cold War, foreign policy change was both a seldom occurrence and a rare subject of study by foreign policy analysts. Thus, several studies that did appear in the 1980s (Gilpin 1981; Goldmann 1988; Holsti 1982) had to both come to grips with the brewing international changes and with the task of developing initial theoretical frameworks that would adequately describe a foreign policy change.

Precipitated by the newly fashioned foreign policy of various smaller and larger states in the post-Cold war environment, the concept of ‘foreign policy change’ started to percolate to the level of significant research attention of international relations scholars, including the works of

Hermann (1990), Skidmore(1994), Carlsnaes (1993), Rosati et al (1994) and others. Most of these academic attempts were concerned with generating an explanatory model to elucidate how a foreign policy change occurs. At the end of the decade, Gustavsson (1999) summarized the existing research as falling into the three categories: checklist models that tend to provide typologies of independent and intervening variables that induce different FP changes (C. F. Hermann 1990; Holsti 1982); structural constraints models that center attention on stabilizing variables impeding a possible change (Goldman, 1988; Skidmore, 1994); and cyclical models that call for the study of longer time periods to discover recurrent patterns in foreign policy continuity and change (Carlsnaes 1993; Rosati, Hagan, and Sampson 1994). While each theoretical group had its advantages and pitfalls, Gustavsson (1999) argued that combined importance of international and domestic structural conditions, political agency and the decision-making process are all needed as constitutive parts of a model that would render foreign policy change understandable and explicable as a phenomenon.

Such call for inclusion of different levels of analysis – from individual to international – in a single model has become a prominent appeal for progress in FPA since the turn of the century. As a field, FPA originally started with all-encompassing, complex and cross-nationally applicable models (Rosenau 1966; R. C. Snyder 1962; Sprout and Sprout 1956). But with the exception of a few alternative approaches, such as two-level game theory (Putnam 1988) and domestic structure research (Katzenstein 1976; Mastanduno, Lake, and Ikenberry 1989); the work of integration of domestic and international factors remains largely unfinished, without precise conceptualization of its variables and strong methodological apparatus (Hudson 2013). It is often remarked that the dependent variable in FPA – foreign policy – is overdetermined by such variety of international, domestic and individual-level factors, that it makes the job of

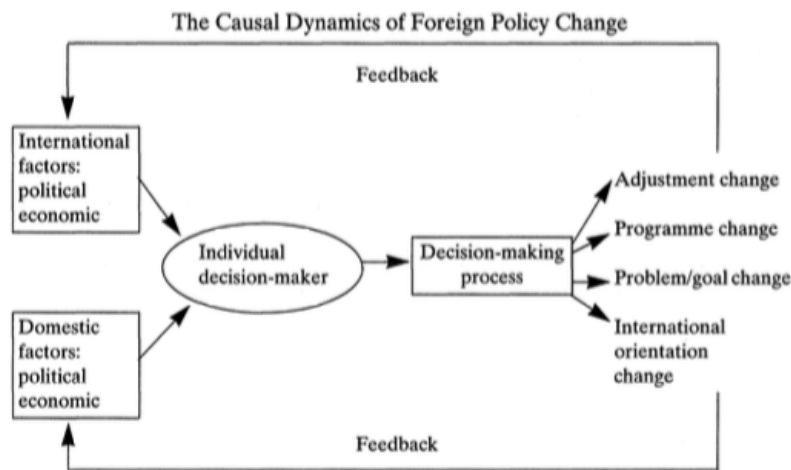
constructing a ‘grand theory’ of FPA unfeasible (Gerner 1995). Thus, foreign policy analysts, while mindful of causal forces at different levels - individual, domestic state and international system (Neack 2008)—are better served by focusing on middle-range theories that emphasize relative importance of some variables holding others constant (Alden and Aran 2013). In that context, studying foreign policy change still remains one of the most significant theoretical challenges in the field (ibid).

For my study I take Gustavsson (1999) typology of foreign policy change that draws on Hermann’s research (1990) and includes adjustment change, programme change, problem/goal change and international orientation change. These four changes represent degree to which foreign policy shift could occur compared to the previous foreign policy conduct. In adjustment change, minor changes occur at the level of effort put into policy. In program change, there is a difference in means and methods while basic goals remain unchanged. Problem/goal change refers to a shift in goals and objectives. Finally, international orientation change is a fundamental change in state’s entire orientation toward world affairs.

These levels of changes could be observed by looking at ‘verbalized’ and ‘non-verbalized’ programme (Goldmann 1988), pursued by government as well as its outcomes. Accordingly, change is ‘either a new act in a given situation or a given act in a situation previously associated with a different act’ (ibid, p.10). Thus, I study Ukrainian foreign policy in transition and document its change by surveying official statements, policy documents and prominent speeches by key government officials involved in foreign policy making (primarily the president in Ukraine due to centralized nature of government foreign policy making in the time period under study) along with non-verbalized actions. I then compare these results to the foreign policies of previous leaders.

In conceptualization of the causal dynamics I am guided by the following model, developed by Gustavsson (1999):

Figure 2.1 Model of the Causal Dynamics of Foreign Policy Change



Source: Gustavsson (1999, 85)

My elaboration of the causal mechanism (see page 23 below) fits well in the part of ‘individual decision-maker → decision-making process’ of this model.² And even though there may be debates in the literature as to the precise content or relative causal weight or interaction of domestic or international factors, in this research I am interested in the mechanics of the causal process per se. In other words, once the decision options are on the table (regardless of how they originated), I am interested to see how the decision-making itself proceeds, i.e. how leaders choose between the options they are presented with. Further, I take this mid-range approach to decision making and place it specific conditions – those of a transitional state. I

² While other models of foreign policy change are offered in the literature (Blavoukos and Bourantonis 2014; Kleistra and Mayer 2001), importantly they also include the element of ‘decision making process’ – hence, poliheuristic theory insights could be included in them as well.

argue that foreign policy change as an outcome is influenced by the levels of uncertainty that actors face in the process of decision making.

To clarify my treatment of political transition, following Francisco (2000, 42) I define it as a shift from one structure of government to another that begins before formal or de facto collapse of a regime when new forces or parties mobilize. Transition ends when civil war or unrest does not threaten the existence of the new regime; new institutions are established or old ones reformed in conformity with the new political values; and a state (re)gains diplomatic recognition and successfully negotiates a financial long term-loan from the International Monetary Fund (IMF).

2.2. *Cognitivist Approach to Uncertainty and Its Role in Decision Making*

In order to proceed with the analytical treatment of uncertainty in the foreign policy decision making process in transitional states, first the conceptual elaboration of ‘uncertainty’ is in order. In this section, I present a cognitivist approach to uncertainty that treats it as an analytical inability to discern logical connections and outcome of ones’ decision due to an abundance of complicated information that actors face. Unlike rationalist approach that estimates uncertainty through risk assessment analysis, I stipulate here proxy measures that are posed to evaluate the complexity of the conditions generating multifarious information for decision makers. I then specify how uncertainty could be used in conjunction with poliheuristic theoretical insights and applied to states undergoing transition.

To start off, unpredictability to a degree is present in all forms of human interactions. In political science, Adam Przeworski (1991) famously noted that uncertainty may be found in all

forms of government. However, what distinguishes democracy from authoritarianism is that democracy is “institutionalized uncertainty” where actors “know what is possible and likely but not what will happen” (ibid). Douglas North (1990) also postulated that democratic institutions manage uncertainty through the rules that resolve conflicts and the issues of leaders’ replacement. In other words, in contrast to states that undergo political transitions from one regime to another, in established democracies uncertainty is dealt through enshrining unpredictability of political outcomes into a set of rules that guarantees an overall fair treatment to those who do not competitively win in political jostle for power. The uncertainty of outcomes, not of the functionality of the rules, is thus the major feature of democratic regimes.

When democracy and authoritarianism are compared, the ‘institutionalized-uncertainty’ scholars posit that democracies are inherently more uncertain because the result of democratic procedures (elections, adjudicating competing claims in courts etc.) is not predetermined *ex ante*. In contrast, another approach in democratization theory based on the “rule-of-law” argues the opposite: authoritarian regimes lack viable and respected constitutions understood as primary organizing principle of political life (Linz and Stepan 1996) which limits the range of possible outcomes (Holmes 1995) and “shape[s] what substantive outcomes are possible, hence limiting uncertainty and enhancing security” (Mainwaring 1992, 313–16).

The academic efforts to bring together these two approaches to a common denominator are still ongoing³ and what unites most of the insights on uncertainty is that they stem from a rationalist framework. The latter views uncertainty as ontologically objective lack of information

³ This discussion of differences between the “rule-of-law” school and “institutional uncertainty” approach in more detail along with new theoretical propositions could be found in Alexander (2002).

for a decision maker to be able to judge the intentions of others and predict their choices and behavior in a given situation.⁴

In international relations, however, addition to rational choice approach, cognitivism offers a competing definitions of the concept of uncertainty (Rathbun 2007). And this is the approach that I adopt for my research. From cognitive perspective, uncertainty originates not from the lack of information, but from the wealth of it. In cognitivism, complexities of the world generate plentiful and ambiguous information that decision makers need to tackle. Due to psychological reasons, actors are only able to partially understand and cognitively approximate the complexities they encounter (Goldgeier and Tetlock 2001; Tetlock 1998). Thus, uncertainty is rooted in the analytical confusion that the decision makers have to deal with. They are unable to fully process all the aspects of information they receive. In order to reduce uncertainty, actors find recourse in cognitive shortcuts or heuristics such as “consistency seeking” (Jervis 1976), “belief perseverance” (Levy 1994), or “evoked set” in learning (J. Snyder 1990) among others.

The bridge between rationalist–cognitive divide in FPA is proposed by the poliheuristic theory (PT) (Brulé 2008; Mintz 1993, 2004, 2005). In brief, PT advances a two-stage decision making process. First, poliheuristic scholars agree with cognitivist research that leaders use heuristics, and suggest that in FP decision in order to make such first cognitive shortcut actors eliminate those options off the table that would hurt them domestically. Domestic political losses cannot be compensated by any other advantages of that option if it entails domestic audience

⁴To note, in rationalist approach adjectives such as ‘greater’, ‘lesser degree’ or ‘severe’ are routinely applied to ‘uncertainty’ and therefore indicate that this concept could be described in qualifying terms of some sort of measure, even if measurement is difficult to carry out. Scholars of prospect theory offer us a mathematical ways to evaluate risks involved in decision making situations characterized with uncertainty (e.g. Tversky and Kahneman, 1992).

costs – this is the domestic ‘political’ dimension of a decision. After that, in agreement with the rationalist framework, decision makers in PT are modelled to maximize benefits and minimize risks evaluating remaining options on different dimensions. With over 40 studies that applied PT to diverse FP decision making processes, PT has shown robust results with democracies and non-democracies, at state and local levels, and with diverse methodological approaches (experimental, statistical, formal analyses and case studies).⁵

In fact, A. Mintz, one of the original authors of PT, went as far as to suggest that the theory is widely applicable: “PH theory is generic. It is applicable to national security decisions, foreign policy decisions, foreign economic decisions, as well as to domestic decisions...The PH procedure can be extended to sequential decisions, interactive decisions, in dynamic and static settings, in familiar and unfamiliar contexts, and under conditions of uncertainty and/or ambiguity.” (Mintz 2005, 95).

It is to the latter situations that my research aims to contribute: the situations with uncertainty characteristic to states undergoing complex transitions. I achieve it by making two analytical steps. First, I specify the underlying domestic political interests that motivate political leaders in conditions of uncertainty in transitional states when they make a first cognitive shortcut of eliminating costly alternatives. I then posit that the variation in the underlying interest that leaders seek on political dimension is thus associated with the variation in eventual policy decisions and ensuing foreign policy changes.

PT, as mentioned before, stipulates that politicians employ ‘avoid-major-losses’ principle in the initial screening of alternatives. And while each decision entails diverse dimensions

⁵ For an overview see for instance, Mintz (2005) and Brule (2008).

(military, economic, etc.), it is on the basis of domestic politics per se, which is “the essence of decision” (Mintz et al. 1997), that the leaders make the first cut of the available alternatives. PT, however, is open as to what may figure into leaders’ calculation of gains and losses on the dimension of domestic politics, or political dimension for short (Mintz 2004, 9). Kinne (2005) argues that one unifying principle undergirds the domestic political dimension: leaders in democracies and non-democracies alike seek to stay in office. For him, the concern for retaining political power and staying in office is the most important interest that leaders pursue and it defines the political dimension of a decision as such. Such proposition, is well known to students of vote-maximization literature that builds its models on the premise that the primary goal of democratic state leaders is their own political survival in office, and that all political choices are ultimately set against this backdrop (Hagan 1995). Kinne (2005) argues that retaining political power is the ultimate interest of authoritarian leaders as well.

However, what is missing in both of these perspectives – vote maximization literature and authoritarian regime studies - is the understanding of that states undergoing complex political and economic process of transition from one institutional arrangement of power to another are characterized by different environmental conditions that puts a different strain on the calculus of interest by a leader. Indeed, states in transitions lack established mechanisms through which the transfer of power can be reasonably expected to be achieved without fail. Constitutional division of powers may not yet be delineated, electoral formulas and salience of issues in new civil society in the making may change from one electoral cycle to another rendering politicians “strategic fools,” unable to predict their own political future (Andrews and Jackman 2005). In addition, economic liberalization and/or new economic re-arrangements

where assets are under the threat of being redistributed may leave a state much more open to economic shocks from outside, plummeting the reelection prospects of a leader.

These factors significantly add to the level of uncertainty that actors face in their decision making. In fact, so much so that Lupu and Riedl (2013) argue that leaders in developing states under such uncertainty are forced to think in terms of one-shot game, rather than project repeated interactions between actors in the same institutional arrangements and that significantly shortens the political horizons they have for their own future.

When this principle of behavior is configured into the first step of the decision making suggested by PT,⁶ what it means is that instead of seeking to stay in office, political leaders at the helm of state in conditions of high uncertainty could be modelled to pursue such domestic political interests that help them to support their power during the current term (the threat of regime reversal may be extremely high in the newly established regimes) and to secure their political and personal fortunes beyond their term without banking on reelection. Only those actors who have longer than leaders' own projected influence on domestic politics are able to grant such support in an uncertain environment. Two types of actors satisfy this criterion: political parties and "party substitutes" (Hale 2005).

As for the parties, whereas democratic regimes are "unthinkable save in terms of parties" (Schattschneider 1942, 1), party systems remain a viable mechanism for transferring public

⁶ The second step in the decision making, according to the PT, involves a calculation of risk and benefits from the available decision options, according to a more formalized rational choice model. However, since my research goal is not to dissect the details of each individual foreign policy decision that Ukrainian political leaders had on their tables in a span of a decade, but rather to provide a more long-termed targeted analysis of pro-Western vs. pro-Russian foreign policy orientations that Ukraine pursued during the transitional period, such second step does not apply in my theoretical model. Indeed, I use PT insights on the importance non-compensatory domestic dimension in foreign policy making as a theoretical foreground, and do not strictly subject my case to PT treatment, but rather I aim to put such insights to use in developing a new causal mechanism that is applicable in transitional states.

preferences in governmental political choices both in established democracies (Dalton, Farrell, and McAllister 2011) and developing states (Miller et al. 2000). However, in transitional states the support for parties waxes and wanes from one electoral cycle to another, forcing some parties to submerge into oblivion and others to (re)appear on the political horizon. This can lead decision makers to rely not necessarily on their party linkages to voters (programmatic appeals), but on charismatic or clientelistic linkages with voters (Kitschelt 2000). Such dynamic may lead to the formation of what Henry Hale terms ‘party substitutes,’ an alternative form of political organization that is able to deliver votes and political guarantees in newly formed electoral societies. The exact nature of party substitutes may differ from society to society but it largely “hinges on the particular pattern of concentration of those political and economic resources that can potentially be mobilized for electoral purposes” (2005, 150). In post-communist Russia, for instance, such examples of party substitutes include governor’s political machines and politicized financial-industrial groups (ibid). Similarly, in my case study of Ukraine of 2005-2011, the politicized financial industrial groups led by oligarchs are the party substitutes.

To summarize my argument based on poliheuristic theory and current research on uncertainty and cognitive constraints in decision making, when uncertainty is heightened, politicians in transitional states view their term as ‘one-shot’ game without necessarily pursuing reelection but rather seeking to secure their own political and personal fortunes with parties and/or party substitutes. Thus, actors eliminate those alternatives in a heuristic decision making which would hurt their relationships with such groups. However, when uncertainty is relatively low the underlying guiding principle of political behavior- the retaining power in office – applies in PT calculus of domestic dimension.

If uncertainty is posited to be a “continuous variable” (Lupu and Riedl 2013) with different levels, as much comparative and international relations literature imply, how can it be operationalized and its impact measured? In its rationalist-cognitivist approach, PT makes a general assumption that once a wealth of information is available to a leader, the uncertainty has an impact on decision makers by forcing them to resort to cognitive heuristics. While this assumption may appear to be strong – I cannot tap into exact perceptions of actors without thorny methodological issues - multiple studies, including experimental ones have shown that PT is correct in estimating its proposed mechanism of decision making (see references above).

If approached this way, uncertainty that stems from a wealth of complex information hampering leaders’ ability to predict cause-effect connections, could be traced to the sources that generate such confusion in the first place. Jung and Deering (2015) suggest that there are four factors contributing to the level of uncertainty in transitioning countries:

- 1) pace of democratic transition: gradual vs. abrupt (abrupt transition – higher uncertainty, gradual transition – lower uncertainty).
- 2) the extent to which prior authoritarian regime allowed political competition (the more competition before regime change, the lower uncertainty)
- 3) coincidence of state-building with democratization (when both happen at the same time it leads to higher uncertainty)
- 4) economic growth (Economic downturns contribute to higher uncertainty).

Lupu and Riedl (2013) parallel the three of these factors when they postulate “regime uncertainty” (1); “economic uncertainty” (4); and “institutional uncertainty” (3) altogether characterized as ‘political uncertainty’. However, the authors do not offer any operationalization or empirical application of their typology. Thus I find Jung and Deering (2015) 4-variable

estimation of the level of uncertainty more practical for my research and I record the levels of these factors for two divided periods of my case study.

To encapsulate this theoretical discussion of uncertainty and transition, I posit that in transitional states with heightened uncertainty, decision makers are motivated to base their calculations of domestic interest on how it would affect their relations with party substitutes. Specifically, I put forward that the following causal mechanism is at works in the foreign policy decision making in transitional states:⁷

Transition (impacts the level and nature of) → Uncertainty (shortens time horizons for) → Foreign policy decision maker to consider voter vs. sponsor interests (sets the course for) → level of foreign policy change.

In the remaining part of this research I will process trace this causal mechanism with the case study of the Ukrainian foreign policy in 2005-2011 and examine the foreign policy change as tied to the levels of uncertainty that Ukrainian state leaders were dealing with in their decision making. Before proceeding to my case, however, I will delineate the methodological foundations of the process tracing used in this research and provide the operationalization for the empirical part of this study in Chapter 3.

⁷ For the purposes of this project I do not inquire into the exact origins of a new set of circumstances that presents a decision making situation for a leader, since I focus primarily on the mechanics of the decision making as a process per se, once the options have come to be generated for a leader to choose from. Gustavsson's model of 1999 used here suggests that such origins could be both domestic and international and does not exclude political entrepreneurship.

Chapter 3

METHOD OF STUDY

AND OPERATIONALIZATION OF VARIABLES

In this chapter, I first provide a general overview of the development of process tracing as a method in political science. I then place my case study into a rigorous evaluation of the so called “ten steps of good process tracing” that helps me to clarify a range of ontological, epistemological and other issues that apply to a single-case focused study. I finish the chapter by proposing concrete ways of conceptualizing the causal mechanism that I elaborate in this research.

3.1. *Definition of the Method*

Process tracing as a tool of qualitative research has received considerable attention in the political methodology literature of the past decade. As a method, however, it originated much earlier in the psychological and cognitive studies of the late 1970s, borne out of the debates surrounding different models of decision making. These debates wrestled with the criticism that despite algebraically equivalent goodness-of-fit, the linear models of decision making suggested fundamentally different underlying cognitive processes (Svenson 1979, Pitz and Sachs, 1984).⁸ A new experimentation had to be developed in order to uncover these processes. Payne (1976) pioneered such approach with his analysis of ‘information boards’ and ‘verbal protocols’ where

⁸ For a current review of the process tracing in decision making studies see Schulte-Mecklenbeck, M.; Kühberger, A.; Ranyard, R., eds. *A Handbook of Process Tracing Methods for Decision Research: A Critical Review and User’s Guide*. New York: Taylor & Francis

the latter required decision makers to think aloud and describe their evaluation of information as they were making a decision at hand. The analysis of such documented ‘process’ constituted in Payne’s terms a ‘process tracing.’

In political science, process method was first used by Alexander George, who similarly to the decision making scholars emphasized the importance of studying not just the statistical correlation between independent and dependent variables, but rather advocated for going further in research designs “to establish whether there exists an intervening process, that is, a causal nexus” between the explanatory and explained variables (1979, 46). According to George (1979), such procedure of uncovering a “causal nexus” - analogously to Payne’s suggestion - involved tracing the process, or the “intervening steps” through which, for instance in George’s research, certain institutional arrangements influenced the behavior of political actors. In various later interpretations, to which I return briefly in the later section of this chapter, these ‘intervening steps’ or ‘causal nexus’ and their role in constructing scientifically valid argument have become known in the methodological literature as *causal mechanisms*.

More recently, process tracing was compared to “a detective attempting to solve a crime by looking at clues and suspects and piecing together a convincing explanation based on fine-grained evidence that bears on potential suspects’ means, motives and opportunity to have committed the crime in question. It is also analogous to a doctor trying to diagnose an illness by taking in the details of a patient’s case history and symptoms and applying diagnostic tests that can, for example, distinguish between a viral and a bacterial infection” (Bennett 2010, 208). Bennett states that process tracing focuses on “intervening steps in a hypothesized causal process” that gives a qualitative scholar a significant advantage in solving issues that statistical

analysis alone may not be able to address: the causal direction between correlated variables and potential spuriousness (ibid, 208).

Since Andrew Bennett and Alexander George's refitting of the process tracing as a qualitative tool based, the methodological literature of the past ten years has seen a remarkably abundant discussion on internal/external validity of process-traced cases, on the deterministic or probabilistic causality assumptions in process tracing and to varieties of its effective use among else. In the light of proliferation of such studies, Waldner (2012, 67) cautioned researchers that 'process tracing' is currently becoming an 'umbrella term' that may encompass varieties of conceptual definitions of the term. In their recent work Trampusch and Palier (2016) are likewise wary of "methodological stretching" that process tracing is currently undergoing, akin to concept stretching (Sartori 1970), although they remark that scholars across the board commonly agree that process tracing traces causal mechanisms that connect theorized causes and effects.

In order to avoid methodological ambiguities, for the purposes of this research I adopt the following definition of process tracing suggested by a recent volume on the method edited by Andrew Bennett and Checkel (2015, 7): "Process tracing is the analysis of evidence on processes, sequences and conjunctures of events within a case for the purposes of either developing or testing hypotheses about causal mechanisms that might causally explain the case."

A question that naturally flows out such definition is what is meant by 'causal mechanisms.' Mahoney (2001, 579–80) counts twenty-four existing definitions of causal mechanisms that range from treating causal mechanisms as 'intervening variables through which causal or explanatory variables produce causal effects' to 'events that alter relations among some specified set of elements.' Going against this tendency to reduce causal mechanisms to intervening variables or events thereby 'blackboxing' or 'grayboxing' the *process* itself, Derek

Beach (2016, 3) has recently argued that mechanisms rather should be treated as theoretical systems where entities that engage in activities transmit causal forces from cause to outcome.

Metaphorically, in such approach causal mechanisms are likened to the wheelwork of cogs and wheels producing a movement – it is the “assembly of elements producing an effect not inherent in any one of them” (Hernes 1998, 74).

This is the methodological treatment that I also subscribe to in this research. I approach causal mechanisms as systems where both entities (A, B, and C) *and* arrows that connect them (activities) are indispensable in $X \rightarrow [A \rightarrow B \rightarrow C] \rightarrow Y$ chain⁹. Simply adding a variable between cause (X) and effect (Y), such as A, B or C without providing a theorized activity through which such variable transmits causal forces (an arrow in the diagram) leaves an explanatory gap in a research (Machamer et al 2000, 3 in Beach 2016).

In order to proceed with my investigation, I will remain engaged in this methodological discussion from here on only inasmuch it serves the pragmatic goal of this research focused on building an understanding of foreign policymaking in transitional states. I place the method at the service the deciphering the theoretical causal mechanism that works in foreign policymaking of transitional states as traced in the case of Ukraine in the time period under study. Thus, in the remainder of this chapter, I will provide a methodological blueprint for the process tracing of my case study that will be applied in the next empirical chapters.

⁹ For the simplicity of representation, this causal chain is presented here as a linear process. This is not to imply that all causal mechanisms are linear. See, for instance, the causal graph developed by Baugh, McNallen and Frazelle (2014) as they elaborate and map concepts for historical research.

3.2. “Ten Steps for Good Process Tracing” for Ukrainian Foreign Policy Case

In order to lay groundwork for my case study and before I specify my operationalization and data collection plan, I will first use Trampusch and Palier (2016) list of “ten steps for good process tracing,” a collection of best practices that significantly improve the quality of process tracing application.

In the first step, process tracers are recommended “to clarify their ontology.” This requires researchers to point out whether they espouse deterministic or probabilistic view of causality when process tracing a case study. A deterministic approach to process tracing would postulate that a specified causal mechanism, once uncovered in a case study, will always produce the specified outcome in the population of all cases. In other words, by exploring the foreign policy making in Ukraine from a deterministic point of view, one would claim external validity of the uncovered explanation that extends and unfailingly works in other cases of transitioning states working out their foreign policies. In the probabilistic approach, the claim would be that even though a causal mechanism has been uncovered in the case of foreign policymaking in Ukraine, it does not mean that *a priori* we can determine the outcomes of all transitional foreign policymaking in all other cases, since mechanisms may interact with different features of the context in which they operate.

Between these two ontological positions, I take the probabilistic view in my process tracing of the case of the Ukrainian foreign policymaking. Indeed, I cannot claim external validity of the studied mechanism of foreign policy making in all transitioning states due to the fact that their contextual conditions that may vary drastically. Nonetheless I approach my study with an assumption that the causal similarities (or the scope conditions) between certain

transitioning states potentially allow for a pool of causally homogenous population of cases where my theoretical insights may be applicable to.¹⁰ To be more exact, in my suggested causal mechanism for this study, the scope conditions would be those that pertain to the first casually important element in the mechanism: transition.

I have earlier defined a transition, following Francisco (2000) as a shift from one structure of government to another that begins before formal or de facto collapse of a regime when new forces or parties mobilize. Transition ends when civil war or unrest does not threaten the existence of the new regime and new institutions are established or old ones reformed in conformity with the new political values, plus a state (re)gains diplomatic recognition and a membership in the IMF with a (re)-negotiated financial loan.¹¹ Hence, if these scope conditions are satisfied, then other cases will be in the pool of causally homogenous population.

However, we may imagine a contextual condition that is not directly linked to the causal condition (transition) that exerts an overriding influence on foreign policy of a state leaving no room for the causal mechanism to engage all causal forces and thereby overdetermine the outcome. For instance, if a transitional state has had a security overdependence on a great power, we can assume that even in transitional state such dependence may override foreign policy choices and outcomes.

This is, in fact, similar to what Beach and Pederson (2016b) describe as the difference between causal and contextual conditions in the example of a car as a causal mechanism. In a

¹⁰ “A causally homogenous population is one in which a given cause can be expected to have the same causal relationship with the outcome across case in the population (Beach and Pedersen 2016b, 50)

¹¹ Potentially, this Francisco (2000) criterion could be extended to include other international organizations may provide the same vote of legitimacy and solvency, for instance a variety of regional banks for development and reconstructions, regional international organizations and/or economic unions.

causal mechanism of a car, a cause (the burning fuel) may be engaged but will not work towards the expected outcome (movement forward) if contextual conditions do not allow for it: “If we throw the car mechanism in a lake, even though the mechanism might be in perfect shape, it will still not work, as it is outside the contextual conditions in which it will run” (2016a, 89).

Thus, in my theorized causal mechanism of foreign policy change in transitional states, whereas causal conditions (transition) may be present, the impact of contextual conditions for cases which this mechanism is to be applied should be carefully considered to determine whether they override the impact of the theorized cause to start with. Acknowledging the importance of this theoretical point on external validity and applicability of the current research, I am leaving the discussion of precise demarcation of contextual vs. causal conditions for the theorized causal mechanism for my future study, since the current focus of this work is to primarily detect the theorized mechanism itself in the first place and trace it in the case of the Ukrainian foreign policy. However, as a preliminary theoretical hunch, I will point out that most likely states that are middle powers and not inextricably aligned are most likely to exhibit the causal mechanism described here at work, which includes for instance, a number of former Soviet Union republics after the fall of the regime in 1991.

In the second step of good process-tracing, a researcher “must determine whether his/her *epistemological interest* is inductive or deductive” (Trampusch and Palier 2016, 13). Thus, a scholar needs to point out whether the study’s objective is to generate or specify a hypothesis about a causal mechanism, or if it seeks to probe the causal mechanism that has already been theorized. This determination of the epistemological interest is directly linked to the status quo of available theories and state of the art, as well as to the availability of data. In this regard, my research has been primarily concerned with theory-building goal until now. Indeed, in Chapter 2,

I surveyed the literature on poliheuristic theory (PT), on international relations' approaches to the concept of uncertainty and on foreign policy change. I then advanced a theorized causal mechanism that connects uncertainty at the start of the causal chain to the subsequent foreign policy change. In this endeavor in Chapter 2, my epistemological interest was deductive and theory -building in nature: I have worked with higher levels of abstractions in order to come to conclusions of what could be expected at the empirical level.

However, as I proceed with the subsequent empirical chapters of this dissertation, I am taking a more inductive turn. Having theorized the causal mechanism of foreign policymaking in transitional states, I am now looking to move to the “theory-testing” aspects of this project. Here I put “theory-testing” in inverted commas for important reasons. Indeed, while “testing” describes my general epistemological interest in as far as putting theory to work with available evidence is concerned, this “testing” is not akin to experimental or quasi-experimental analysis of average effects in a variance-based design. As Waldner (2015) aptly points out, process-traced case studies when held up to such “testing” standard fail to address the fundamental problem of causal inference: we cannot observe a unit under treatment and under control simultaneously in order for the “testing” to be valid. Hence, because of this problem of missing data, unit-level causal inference in this case is “simply impossible” (2015, 246). For these reasons, in strictly epistemological terms I do not claim *causal* inference for this study,¹² but rather I make use of *descriptive* inference in further steps of this research project.

¹² Waldner (2015) further suggests the “completeness standard” for process tracing to resolve the fundamental problem of causal inference. It requires of a researcher to design a causal graph that represent two states of the world, one under control and one under treatment in order to record unobserved potential outcome; as well as event-history maps compiled from case-based evidence. He also points out that completeness standard is an “aspirational standard” which many good works, including his own, fail to meet.

In this sense, I agree with David Welch (2005, 9) that when analyzing international decision making “...we must moderate our hopes and expectations for “testing” theory—Newton’s experiments would have consistently failed if the bodies he pushed and dropped and threw had the will, capacity, and malice to misbehave— but since international politics is not an entirely capricious domain, and human nature is not infinitely malleable, we can still use evidence to distinguish better from worse statements about how the world works. We are not confined merely to interpreting it, or bearing witness to it.” Rather, as the author continues - and I ascribe to the same epistemological position - “[t]he middleground approach to epistemology... - “test driving” rather than “testing” theory; judging its performance, its comfort, and its fit-and-finish, rather than its “truth” or even, in comparative perspective, its relative usefulness— is as much ... as the subject matter will allow.”

In sum, having dealt with deductive goals of Chapter 2 where I elaborated theoretical foundations for transitional foreign policymaking drawing poliheuristic theory, in the next chapters I will proceed to a more inductive enterprise of “test-driving” these theoretical points in the case of Ukrainian foreign policymaking.

In the third step of good practices for process tracing, the researchers who combine methods in multi-method research (MMR), such as process tracing accompanied by statistical analysis and/or experiments etc., should clarify how the underlying theoretical and epistemological assumptions of different methods collide or complement one another. Since my research design does not foresee a mix of methods to be used towards the same research question but rather uses one method of process tracing, no clarification of such kind on this step is further needed.

The fourth step of good process tracing calls researchers to start with “good theory, so that they know where to focus their analytical attention, which actors to study and interview and historical sequences of events to analyze” (Trampusch and Palier 2016, 14). Process tracers are thus compelled in this step to likewise investigate whether the theories they use to explore or explain a case “have proven their value in previous research” (ibid). This could also be interpreted as encouraging scholars to work with theories that are progressive in Lakatosian sense of progressive research program (Lakatos 1980). As far as a “proven value” of PT is concerned, in my survey of the field in Chapter 2 I mentioned that in the current state of art, the PT research program has been estimated by Brulé (2008) to be progressive in Lakatosian terms as compared to other theories in foreign policy decision making (e.g. cybernetic theory and expected utility decision making theory).

The robustness of the PT theoretical propositions has also been demonstrated in a number of studies that vary greatly in their methodological approaches, such as experimental research, large-N statistical analysis and case studies (some examples, correspondingly include Christensen and Redd (2004); DeRouen and Sprecher (2004); Taylor-Robinson and Redd (2003), to name a few). Moreover, PT has also been productively applied to study a range of international issue areas, such as terrorism, international environmental agreements, diversionary use of force, international crises, international bargaining and coalition formation.¹³ Thus, even though, the PT scholars are yet to provide a more engaged response as to how it distinctly sets

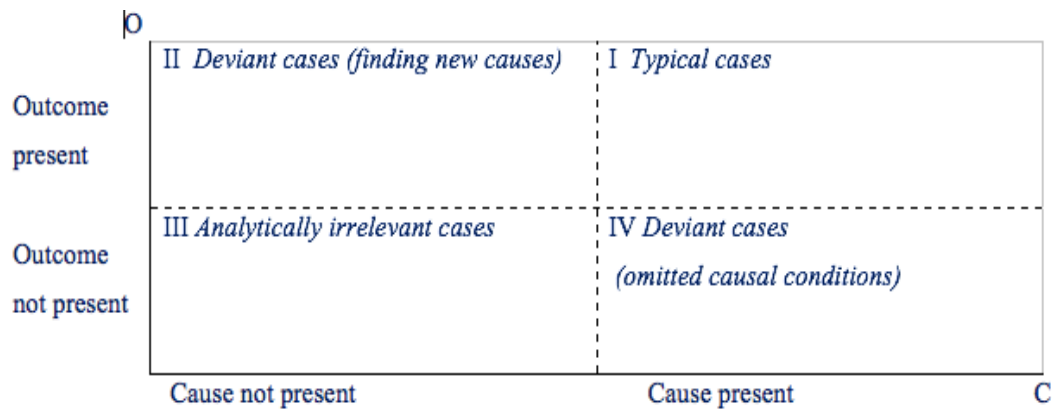
¹³ For a more comprehensive review of PT’s robustness, see Redd, Steven B., David Brulé and Alex Mintz. “Poliheuristic Theory and Foreign Policy Analysis.” *The International Studies Encyclopedia*. Denmark, Robert A. Blackwell Publishing, 2010. Blackwell Reference Online. 10 February 2017
<http://www.isacompendium.com/subscriber/tocnode.html?id=g9781444336597_yr2014_chunk_g978144433659716_ss1-7>

itself apart, theoretically speaking, from the political survival perspective (De Mesquita 2005, 2010; De Mesquita and Lalman 2008; De Mesquita and Smith 2011); audience cost perspective (Fearon 1994; Schultz 2001) and operational code analysis (Schafer and Walker 2006), PT is nonetheless deemed be both progressive (Brulé 2008) and a leading theoretical effort that bridges cognitive-rationalist divide in foreign policy analysis as of today (Oppermann 2014).

In the fifth step of “good process tracing,” researchers are encouraged to think through their case selection strategy in order to situate their research in terms of the theoretical leverage they purport to exert. Trampusch and Palier (2016) thus recommend scholars to follow the classic works of Eckstein (1975) and Lijphart (1971) as well as Gerring (2007) to determine whether the causal mechanism they are tracing are being examined in a typical, deviant, most/least likely, crucial or other kind of case. In this way, process tracers are better able to specify the significance of their contribution to the accumulation of theoretical knowledge.

Indeed, the topic of case selection has gathered considerable attention from qualitative and quantitative methodologists alike. One of the most widely often discussed challenges of single-case design as it pertains to case selection and theoretical import has been the risk of conflating theory with data: the theory is generated and tested in the same case (Eckstein 1975; King et al. 1994; Bueno de Mesquita 1996). Admittedly, researchers frequently start with either a theory in search of a test or with a case in need of a theory to explain it (King, Keohane, and Verba 1994, 17–18). And whereas either strategy is acceptable as a starting point, single-case study in its “testing” (or test-driving as is in the current research) part may become prone to the selection bias if a universe of cases is underspecified (A. L. George and Bennett 2005, 83–84). In order to avoid this pitfall, I resort to the matrix of mapping the population of cases:

Figure 3.1. Typology of Cases



Source: Beach and Pederson (2016a, 281), adapted.

The case of the Ukrainian foreign policy-making falls in the first quadrant of this matrix, since both the causal variable (transitional uncertainty) and outcome (foreign policy change) are present in the studied case. In this way, the Ukrainian case here is “typical” from the viewpoint of its relation to the population of cases that my theoretical approach aims to apply to.

From a variance-based design point of view, this may appear to be problematic in as far as social scientists are routinely advised to avoid “the most egregious error” of selecting observations in which “the explanatory and dependent variables vary together in ways that are known to be consistent with the hypothesis that the research purports to test” or otherwise select cases with positive values on dependent variable (King, Keohane, and Verba 1994, 142). Such view, however, does not comport either with the epistemological foundations for this research that I delineated above, or with the foundational premises of process tracing as a method.

First, as far as selecting a case with positive values on both dependent and independent variable prior to examining the empirics of the Ukrainian foreign policy making case, I have developed the proposed causal mechanism exclusively from the theoretical propositions existing

in the field rather than drawing on the case itself. Hence, the variation in the levels *explanans* and *explanandum* in the Ukrainian case did not bear in any way on how this causal mechanism was theoretically conceptualized.

Secondly, because I am focused on process tracing *how* the cause and outcome are linked in the theorized mechanism, rather than on *how much* they are related (i.e. not on the correlated levels of variation between a cause and an effect), the selection of a “typical case” is likewise justifiable. Indeed, one cannot study the inner workings of a political process other than by tracing it in cases where such a process did occur, rather than contrasting it to some control group with no process observed. Further research in this direction may thus potentially include comparing one set of transitioning states to another (for example, cases from Quadrant II, IV and III), but such endeavor is beyond the scope of the present research that aims to initially develop and ‘test-drive’ the causal mechanism in the first place.

Step six for good process tracing stipulates that “sound causal observations need time, contextual evidence and ‘a good knowledge of individual cases’”(Trampusch and Palier 2016, 14). Process tracers are therefore encouraged to collect various data with an eye to measurement validity that avoids bias in the use of primary and secondary sources contributing to “thoughtful data collection” (ibid). Acknowledging the importance of well-thought out data collection and measurement validity, I treat this subject the next section to follow in this chapter.

In step seven, counterfactual analysis and mental experiments are suggested for process tracers to resort to in order to supplement the conceptualizations of their mechanisms with cognitive constructions “in cases where there are reality gaps” (Trampusch and Palier 2016, 14). Admittedly, according to the authors, the proper use of counterfactual analysis on its own or

alongside with process tracing is an ambitious task no easily achieved. The research goals and availability of empirical data for my project, however, does not necessitate its use.

Further, good process tracers in step eight “should carefully investigate when the processes we analyze have started and when they end” (ibid). In this step, both theory and observations are helpful guides for scholars to distinguish where to begin and to stop the analysis of a causal mechanism from its cause to the described outcome. In this regard, having the clear criteria of when the period of political transition begins and ends as I have detailed above, gives the causal mechanism I intend to study very analytically discernable points of departure and conclusion.

The last but one step of good process tracing, step nine, reminds scholars who employ qualitative methods of the ongoing ‘transparency revolution,’ which encourages researchers provide an online database of interviews and other data that has been used in the research, along with ‘analytic’ and ‘productive’ transparency thereby giving readers and reviewers access to the process of how the segments of qualitative data were interpreted and conclusions derived at. Following this recommendation, I will specify in a comprehensive way all materials used for this research.

Finally, in step ten, the authors urge process tracers to “be aware of and always remember that when it is a *method of causal interpretation of one case*, process tracing is not a causal explanation reached by statistics.” Unfortunately, this is where Trampusch and Palier leave off and do not indicate anything further for this step, whereas it is laden with much theoretical and methodological controversy surrounding the nature of causality and ways in which quantitative and qualitative scholars make causal inferences and claims in their research. However, since the previous steps have required me to clarify my ontological and epistemological positions for

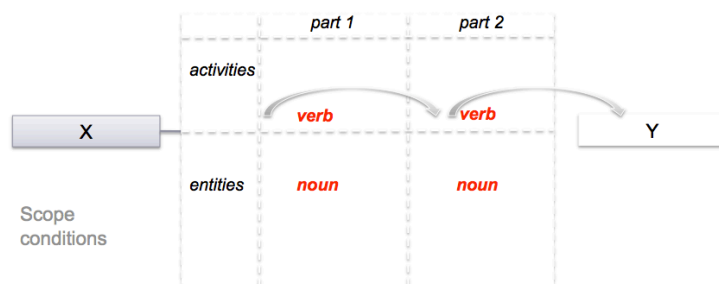
process tracing, in addition to discussing the generalizability and validity of my research, I am confident that there should be no doubt left that I do not approach this project with an assumption that conclusions reached in this work could be equated to inferences made with the help of statistical tools.

3.3. *Putting the Method to Work: Operationalization and Data*

Having thus clarified the foundational premises for the use of process tracing in my case study, I now turn to delineating how this method will be specifically employed in the empirical chapters to follow.

In order to present my causal mechanism in line with previously discussed understanding of causal mechanisms as a system¹⁴ I will use the following template for the design of causal mechanisms:¹⁵

Figure 3.2. A Template for a Two-Part Causal Mechanism



Source: Beach and Pederson (2016b, 80).

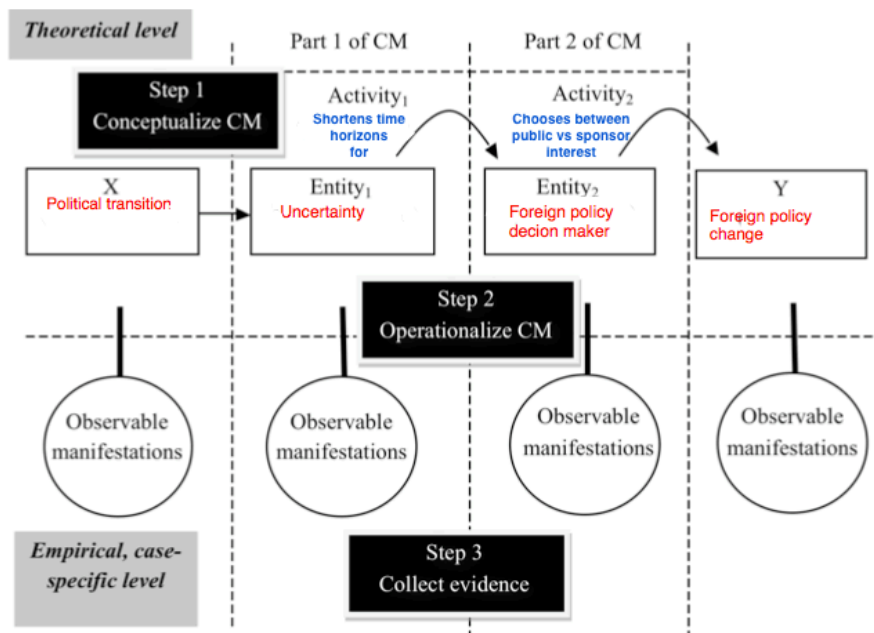
¹⁴ See the discussion of Beach and Pederson (2016) in the previous section of this chapter above.

¹⁵ The template suggested here is for a two-part causal mechanism, although theoretically a mechanism could consist of more entities linked by more activities.

Here, according to this approach, *entities* are understood to be factors (actors, organizations or structures) and activities are producers of change or what transmits causal forces through a mechanism (Beach 2016, 3).

When this template is applied to the particular causal mechanism of transitional uncertainty and foreign policy change under study - with ‘test-driving’ epistemological goal in mind - I derive the following representation:

Figure 3.3. Causal Mechanism Diagram: Foreign Policy Change under Transitional Uncertainty



Source: Beach and Pederson (2013, 15), adapted.

In this diagram, the verb-centered Activity 1 that transmits causal force from Entity 1 (*uncertainty*, a structural factor) and Entity 2 (*foreign policy decision maker*, an actor) is “shortens time horizons.” And the verb-centered Activity 2 that connects Entity 2 (foreign policy decision maker, an actor) and the outcome of the causal mechanism, Y (foreign policy change) is

“chooses between public vs sponsor interests” which ultimately sets a course for certain change in foreign policy of a transitional state.¹⁶

Having had the concept of transition, uncertainty and foreign policy change delineated in and the decision maker behavior theoretical modeled in Chapter 2, I now proceed to Step 2 in Figure 3.4 which is to operationalize the concepts in the specified causal mechanism.

3.3.1. *Operationalization of Transition*

To operationalize *transition* I follow conceptualization of the term by Ronald Francisco (2000, 42), who states that transition begins “before the formal or de facto collapse of a regime” when “new forces or parties mobilize.” In accordance with this definition, I operationalize this variable by looking at the context of the political competition in presidential elections of 2004 and years preceding the outbreak of the Orange revolution. In particular, I trace statements of political contenders and their respective parties in a selection of texts aimed to communicate partisan and candidate positions as they distinctly present themselves as “new forces” and parties that oppose President Kuchma regime. I also look through journalistic accounts of protests by a new generation of civil society activists that were involved “Ukraine without Kuchma!” and other movements that signaled an emergence of new political forces. This data also includes my interview with Orange revolution activist who was involved in these political processes.

As for operationalization of the endpoint of transition, according to Francisco’s (2000) definition occurs when transition regimes are “rooted, reasonably stable but not immune from the

¹⁶ Or no change if causal conditions are not present or a case is deviant, as deliberated above.

vagaries of nature – or politics.” To be more precise, Francisco specified four criteria that to define the endpoint of the transition:

- 1) the new regime no longer faces civil war or unrest at a level that threatens its existence;
- 2) the new regime a) establishes new, functioning institutions of government, or b) reforms existing institutions to bring them into conformity with the new political values;
- 3) achieves widespread diplomatic recognition;
- 4) gains membership in the IMF and the IBRD and successfully negotiates a long-term loan from them (if required).

Regarding the operationalization of the threat of civil war or unrest, I will trace the historical records of the Orange protests as well as the protests in the eastern parts of Ukraine in support of Kuchma and against the Orange government to track when the record of the last active demonstrations occurred.

Concerning the second criterion of establishing of new, functioning institutions of government or reforming the existing institutions to bring them into conformity with the new political values, I operationalize this factor by examining several important data sources. First, for the period of 2005 – 2009 of President Yushchenko’s presidency, I survey the records of the Presidential Acts and Directives relative to the reform and restructuring of the system of government and in particular examine the Law of Ukraine # 2222-IV on Amendments to the Constitution of Ukraine. The latter became a law because of Yushchenko’s compromise with an outgoing regime and it paved a way to a range of new institutional practices. This eventually enabled Yushchenko-Yanukovich cohabitation cabinet to come into existence on August 4,

2006. I had the ability to observe firsthand the internal workings on this cohabitation government apparatus from May 2006 until September 2007 when I worked on administrative reform and the reform of civil service at the Center for Support for Civil Service Institutional Development (Ukrainian government agency) in cooperation with the Embassy of France in Kyiv, Ukraine. I draw on this in-depth contextual knowledge as well as assessments of international experts to evaluate the progress of institutional reforms in conformity with the professed political values of the Orange revolution.

Thirdly, as far as the widespread diplomatic recognition of the new regime, this criterion for the end of transition has been satisfied very early on when President Yushchenko took office on January 24, 2005 and representatives of fifty-nine states attended the inaugural ceremony. The diplomatic relations with a worldwide range of governments likewise continued during President Yanukovich' term.

Finally, Ukraine has been a recognized member of both International Monetary Fund (IMF) and the International Bank for Reconstruction and Development (IRBD or World Bank) since September 3, 1992 and has effectively negotiated long-term loans from these institutions throughout the time of study until today.

In sum, in order to operationalize the beginning and the end of the political transition in Ukraine, I refer to range of empirical evidence that bears on the conceptual aspects of the definition of transition as a term as well as the four criteria for its endpoint. These data sources include both electronic archives, online depositories of Presidential documents, examination of news reports, expert evaluations of reform progress, an interview with an Orange protest activist and my memoir of professional experience working in the Ukrainian capital during the transition. As I ultimately show in subsequent chapters, the transition indeed started in months preceding

the Orange revolution and ended when President Yanukovich reorganized government to consolidate power by the end of 2011.

3.3.2. Operationalization of Uncertainty

In previous chapter, I have settled on the cognitivist approach to uncertainty which treats it as an analytical confusion and cognitive inability to process a wealth of ambiguous information available to the decision maker in a complex political and social world. Whereas I cannot directly test or observe in the framework of the current research design the cognitive limitations of particular decision makers responsible for foreign policy choices in Ukraine in 2004 -2014 at their occurrence, I use the proxy rubric for measuring transitional uncertainty developed by Jung and Deering (2015) that is comprised of four factors that impact uncertainty in democratic transitions. To recapitulate, these are as follows:

- 1) The pace of democratic transition impacts degree of uncertainty: if the process of transition is abrupt, then the level of uncertainty is likely to be higher since it throws the leaders into the unknown field of competition with the major powerholder (typically an authoritarian leader) out of calculation. If transition is gradual, then most likely the politicians have had a chance to estimate their own individual political reputations that they can subsequently carry into the transitional stage of politics.

More specifically, Jung and Deering (2015) reference Shugart (1998) research where the author reflects on the “abrupt break with the authoritarian regime” and its impact on legislative competition vs. gradual transition from autocracy to democracy. Even though my study is concerned with a different set of issues, the conceptual distinction of gradual vs.

abrupt transition is still useful in terms of describing transitional uncertainty. Since I use Francisco (2000) criteria to determine the duration of transition, I will apply Jung and Deering (2015) estimation of the pace of transition to the regime change proper. In other words, I will consider whether the handover of executive power from old regime to new political actors was done in an abrupt and unexpected way, or rather it proceeded in more gradual and institutionally predictable manner.

In order to tap into the abrupt vs. gradual nature of transition, I examine a range of primary sources (news reports, interviews and public opinion surveys) as well secondary sources (scholarly and journalistic accounts). I will estimate whether the actors involved in the Orange revolution and their opponents were expecting and prepared for the way the regime change proceeded and saw it as a natural progression of what had already been instituted in known practice or not.

- 2) The extent to which prior authoritarian regime allowed political competition affects the level of uncertainty in transition. According to Jung and Deering, if under a given regime parties and individuals are allowed to freely participate in political contestation of power, they are better able to estimate their election prospects and thus bargaining position in transition.

This factor can be operationalized by examining a selected number of indicators pertaining to the Freedom of Association cluster from the V-Dem dataset:¹⁷ barriers to parties; opposition parties' autonomy; national party control; party ban; multi-party elections; civil society

¹⁷ The dataset is developed by through collaboration of 50 scholars headed by a team of principal investigators from the University of Notre Dame and the University of Gothenburg. The data is collected through a network of 2,500 country experts and is available online at v-dem.net.

organization entry and exit, as well as repression indicators. I will examine into each indicator and its numerical value in a greater depth in the following empirical chapters.

- 3) According to Jung and Deering uncertainty “will be much higher where democratization coincides with state-building¹⁸ than in cases without this additional burden” (Jung and Deering 2015, 64). They further expand that this factor is to accommodate processes that take place in newly independent countries or those that emerge out of secession where “political actors face greater uncertainty” (ibid).

Even though Ukraine became independent in 1991, after the fall of Kuchma regime and continued into the presidency of Yushchenko and Yanukovych, there were significant state-building efforts that were generally comprised under the title of “constitutional reform” in Ukraine. This reform included important rearrangement of power and authority prerogatives between different branches as well as changes in the electoral system of the state. I will operationalize this state-building factor that contributed to uncertainty by examining the efforts in institutional design that were underway in Ukraine in this period of study. I will evaluate the magnitude of changes under constitutional reform in each sub-period of the study by assessing how much re-organization of state institutions and their functions as a result of this reform. In Chapter 5 I suggest a more detailed additive formula to gauge the level of in constitutional and democratization and their effect on the levels of uncertainty.

- 4) Finally, the authors suggest that uncertainty is aggravated during the severe economic downturns. Essentially, when leaders face the situation of economic hardship the

¹⁸ It is important to note that in Jung and Deering (2015) treatment, state-building is equivalent to institution building, or institutional design. Therefore, following such lead, I use “state-building” and institutional design interchangeably.

calculation of other political decisions becomes more complex due to economic constraints that budgetary process imposes. To operationalize the economic factor contributing to uncertainty, I use GDP per capita as well as other estimates from the World Bank data. I will examine the magnitude of decline or increase in these indicators compared to economic record of their predecessors and establish whether it added or detracted from the level of transitional uncertainty.

A discussion is in order as to how each of these four factors matter relative to the complex evaluation of the level of uncertainty. Jung and Deering (2015) use the first three variables as categorical and economic factor as numeric in their logit analysis of constitutional choices of democratizing nations. Here, however, without any previous theoretical work to guide me as to assigning relative weights to each of the factors, in my more qualitatively oriented work, I resort to categorizing these factors at four levels: HIGH (3), MODERATE (2), LOW (1) and NONE (0) in a simple additive formula:

Figure 3.4. Model to Estimate Levels of Transitional Uncertainty

**Pace of Political Transition + Political Competition + State-Building+ Economic Downturn
→ Level of Uncertainty**

The highest level possible in this estimation would be 12, whereas the lowest is 0. Thus, uncertainty would be considered low, if it is estimated at levels from 1 to 4, moderate from 5 to 8 and high at the level of 9 and higher.¹⁹

¹⁹ I acknowledge that there may be interactive relations between, for instance, the levels of political competition and state-building etc. However, since the study of these criteria as they relate to political uncertainty have not been undertaken in quantitative studies at the moment with the exception of Jung and Deering (2015), there are no verifiable estimates as to the existence, magnitude or direction of such interactions. Therefore, I leave this question open for future exploration.

3.3.3. Operationalization of Foreign Policy Decision Maker and Party Substitute Interests

Until this point in my research, I have implicitly referred to Ukrainian presidents as the main political decision makers as far as the foreign policy is concerned. This is not to neglect the vast amount of FPA literature that discusses the influence of various other actors involved in the process of making a foreign policy decision. From the point of its analytical inception, diverse actors participate in conceptualizing, framing and lobbying for particular decision outcomes. From bureaucratic and organizational models of policymaking in the early classical work of Graham T. Allison (1969), to prominent research on ‘groupthink’ in decision making by Irving Janis (1972) and Hart (1990) and more recent deliberations on ‘polythink’ and elite group decision-making (Mintz and Wayne 2016) - there is a growing strand of FPA that explores the various roles, processes and outcomes in foreign policy as a results of interaction of multiple actors involved in the decision making.

However, there are two important arguments – a theoretical and an empirical one - that prompt my focus on the Ukrainian presidents proper as the decision makers. First, on the empirical side, in the system of government that emerged in Ukraine in post-Soviet context, the institutional legacy of foreign policy values and orientations being shaped and put in place primarily by the top executive of the government has remained strongly entrenched. The foreign policy decisions that pertain to the country’s alignment have consistently been the prerogative of the government, largely without consultation with civil society groups.

Further, after the division of powers that was achieved under Yushchenko-Yanukovych cohabitation arrangement, the President was explicitly vested with the formulation and oversight

of implementing foreign policy, thereby limiting the access to the decision making process by other diverse groups in this government.

Finally, as my detailed process tracing of the state-building during President Yanukovych term in Chapter 8 showcases as well, the strategy of cutting out stakeholders from all important decision in in policymaking with the exception of the so-called “Family” clan by Viktor Yanukovych also meant that for the most part the ultimate foreign policy decision remained within the realm of President’s responsibility.

From the theoretical considerations, PT at its core, is focused on a single decision maker. It is his/her calculation of one’s own reelection prospects that guides the primary consideration of the so-called “domestic dimension” of the decision, as I discuss in Chapter 2. With multiple propositions on the table and perspectives discussed, in the final arbitrage, the decision itself is typically stipulated by the highest power holder in the room, even if afterwards it must undergo a vetting in other democratic institutions such as parliamentary approval etc.

Thus, in order to operationalize “foreign policy maker” I will be looking specifically at President Yushchenko and President Yanukovych, but more so in the context of their choices that cater to the interests of their own political sponsors. This requires a separate note on the aspects of operationalization of these interests.

The interests of political sponsors of President Yushchenko and President Yanukovych in a particular foreign policy calculation are complex to tap into. I first establish the financial links between these two figures and their respective sponsors. I resort to a range of investigative journalist articles that have been published in recent years, mostly post the Revolution of Dignity. I also use materials of the civil society movements *Chysta Ukrayina* and *Chesno*, who followed both financial, personal and party connections between political actors, their parties and

financial contributors prior to Orange revolution and beyond. Likewise, I explore the video reports of the *Radio Liberty* project “Skhemy: koruptsiya v detaliakh” (Schemes: The Corruption in Detail”) in this regard as well. Having established the connections between President Yanukovych, President Yushchenko and their sponsors, I detect the oligarchic interests, based on their primary business connections to EU vs. Russian markets, analyzing how these party substitutes would gain or lose in their business or other dealings depending on which foreign policy option is chosen.

3.3.4. Operationalization of Foreign Policy Change

Two conceptual parts make “foreign policy change” concept that need to be operationalized respectively. First, I need to operationalize “foreign policy” and then, according to the definition of the levels of change discussed in Chapter 2, to find observable manifestations of “change.”

First, as far as “foreign policy” conceptualization is concerned, following Goldman (1988) I consider that there is both “verbalized” and “non-verbalized” policy program that a government pursues. For the verbalized part of the policy, I look at the range of keystone texts produced by the Ministry of Foreign Affairs of Ukraine, official addresses of the respective heads of this agency at different time points, their informal interviews, press-conferences and commentaries. In addition, I examine the “text and talk” (Chilton and Schäffner 2002) of Presidents Yushchenko and Yanukovych regarding their foreign policy. This includes examining official addresses, key electronic and other media documents, directives to the Ministry of Foreign Affairs and interviews. I likewise look at Viktor Yushchenko’s memoirs in his recently

published book “Nederzhavni taiemnytsi” (“Non-State Secrets”) published in 2014, as well Viktor Yanukovich’s book “Opportunity Ukraine,” and several other previous monographs published in Ukraine.

As far as “non-verbalized” acts that constitute foreign policy, I track several major indicators. First, it is the record of foreign delegation visits to and from Ukraine to the respective states of the EU, to the Russian Federation and states that are aligned with it. I note the level of the delegation, the length of the visits and the official purpose and content of these trips. I also examine the available data on the international cooperation projects between particular state agencies of Ukraine with their foreign partners during the studies time period. Finally, I look at the track record of Ukraine in terms of its economic relationships with its neighbors in 2004-2014, paying special attention to trade and energy sectors.

As for the final element in need of operationalization, “change” in the foreign policy. According the typology of change in foreign policy that I follow from Gustavsson (1999), I need to be able to distinguish between an adjustment change, programme change, problem/goal change and international orientation change. These four changes represent degree to which foreign policy shift could occur compared to the previous foreign policy conduct.

In **adjustment change**, minor changes occur at the level of effort put into policy. This could be traced by looking at the “non-verbalized” records of the conduct of foreign relations by Ukraine with the states under discussion. Primarily, whether foreign visits to and from Ukraine have a remarked change in frequencies, level of representation or the content that is addressed in them.

In **program change**, there is a difference in means and methods while basic goals remain unchanged. In operationalizing this aspect, I will look new programs and other

institutionalized means of cooperation or ways of contestation over new or old issues in Ukraine's relationship with the EU, and the Russian Federation.

Problem/goal change refers to a shift in goals and objectives. This will be primarily examined on the basis of a verbalized program as compared to the previous program. I expect to see new rhetoric that would explicitly present the goals and objective of new direction in foreign policy that does not break away from the past alliances and international commitments, however, which does project either higher economic, military or reputational goals in the existing relationship with its partners.

Finally, **international orientation change** is a fundamental change in state's entire orientation toward world affairs. In this regard, I expect to see both verbalized and non-verbalized program evidence found in the sources specified above that would point towards a greater, more ontological re-orientation where Ukraine is cast in a different identity role as it perceives itself in global affairs. This would be reflected in texts as referencing its either a break from the past practices and ideological orientations Ukraine has previously had, or emphasizing a revived historical narrative that contextualizes newly aspired international role.

With such elaboration of my method of inquiry and operationalization of major concepts, I now proceed to the empirical part of the study where I present the collected evidence by process tracing each entity and action in the causal mechanism:

Figure 3.5. Causal Chain for Foreign Policy Change under Transition

Transition (impacts the level and nature of) → Uncertainty (shortens time horizons for) → Foreign policy decision maker to consider voter vs. sponsor interests (sets the course for) → level of foreign policy change.

Thus, Chapter 4 looks at the first element in the mechanism, the political transition in Ukraine in the studied time period. Chapter 5, presents the second part of the causal chain, the uncertainty in the political transition. Chapter 6 follows with an examination of party substitute connections to Ukrainian foreign policy decision makers and the interests of the former potentially had in foreign policy of the country. Chapter 7 looks at Ukraine's relations with the European Union and Russia and establishes the level of FP change under President Yushchenko. It also deals with benefits of the Ukrainian oligarchs, the party substitutes, from the observed foreign policy change. It should be noted that Chapters 5 through 7 encompass the period of 2005-2009 (occasionally referencing the second term of Leonid Kuchma from 2000 to 2004 whenever theory demands). Chapter 8 focuses on 2010 and 2011, after which, as I show in the chapter, Yanukovych regime consolidated and transition came to end. This chapter empirically evaluates the entirety of the causal mechanism in these two years. It is, therefore a more condensed and driven to present results, in contrast to Chapters 5 through 7 where I spend more time on foregrounding each element of the causal mechanism during Viktor Yushchenko's presidency. Chapter 9 summarizes the results of this research and provides initial thoughts for further discussion.

Chapter 4

POLITICAL TRANSITION IN UKRAINE: AN EMPIRICAL EVALUATION

The empirical chapters that follow pursue a common goal. They purport to provide empirical data to the analytical discussion that preceded them. Specifically, I will present data that bears on the theoretical connections between transitional uncertainty that a political regime is facing and the subsequent changes in foreign policy choices it is prepared to make.

The task that follows from this goal, in line with my proposition in Chapter 3, is to trace a causal mechanism which transmits causal forces from transitional uncertainty to an outcome in foreign policy change. Hence, each of the following chapters examining foreign policy making of President Yushchenko and President Yanukovich respectively will examine the evidence for both entities and activities that make up the causal mechanism (Figure 3.5).²⁰

Following the operationalization of key elements in my causal mechanism outlined in the previous chapter, I first set to examine the transition in the Ukrainian politics as a background against which foreign policy decisions were considered by the Ukrainian actors in this context. Thus, I examine the beginning of transition in **subsection 4.1** and then explore criteria that are crucial in determining when the transition in the Ukrainian case ended in the **subsection 4.2**. I arrive at the conclusion that because the Orange leaders were not able to bring

²⁰ Such approach to tracing a causal mechanism presupposes that evidence is indeed present and available for scientific discovery. In other words, there is an implicit assumption of ‘traceability’ of processes that are discoverable both in terms of the “trace” they left behind and our scientific and analytical ability to uncover them. This assumption is a point of methodological discussion in the field (see Walder 2015, Derek and Beach 2016) to which I do not return except for acknowledging the ongoing challenge. The current case under study of the Ukrainian foreign policy making does not suffer from lack of evidential traces, hence I bracket this methodological issue in the current research.

to fruition the changes in the functioning of the Ukrainian government institutions announced at the backdrop of the revolution, the transition stage was incomplete by 2010, when President Yanukovich took office. This satisfies the scope condition for the historical period I seek to investigate in order to determine how the changes in the foreign policy of a transitioning state occur.

4.1. Beginning of Political Transition in Ukraine: 2000-2003

There were many ‘swallows’ signaling a tectonic change in the Ukrainian political life prior to the escalation of the seventeen-day long Orange revolution of the fall of 2004. After two consecutive terms of President Kuchma lasting for over a decade, there was a growing uneasiness as regards the increasingly authoritarian character of President Kuchma’s rule. Among chief concerns was suppression of the freedom of speech,²¹ severe political corruption and embezzlement,²² with widely publicized and egregious case of ordered journalist murder of Georgiy Gongadze.

Publicly exposing President Kuchma’s involvement in the murder, civil society leaders along with Kuchma’s political rivals launched a new campaign “Ukraine without Kuchma” – a goal of new quality and magnitude for Ukrainian politics. These protests of late 2000 and early

²¹ For details of media intimidation and censorship, see for instance, Human Rights Watch Report of March 2003, Vol. 15, No. 2(D) (Negotiating the News: Informal State Censorship of Ukrainian Television 2003) available at <https://www.hrw.org/reports/2003/ukraine0303/Ukraine0303.pdf>

²² Especially in energy sector. For a detailed exploration, see Balmaceda (2013a, 97–117).

2001 saw unprecedented numbers of participants in collective action since the independence movement of late 1980s.²³ Indeed, “Ukraine without Kuchma” involved thousands of protesters and was deemed threatening to the regime who continuously countered it. First, the protests were squelched in December 2000 when participants were barred from their original protest sites in Kyiv under the pretext of urban renovation project. Then, in early March 2001, when the protest rose again during the traditional days of Taras Shevchenko commemoration,²⁴ “Ukraine without Kuchma” clashed with law enforcement regiments. Arrests and court trials followed.

The regime was so concerned with an imminent threat to its stability and survival that President Kuchma, flanked by Parliamentary Chair Ivan Plyushch and his then Prime-Minister Viktor Yushchenko deemed necessary to issue an address entitled “The Motherland Is in Danger” on February 13, 2001. This address was a rhetorical reply to a slightly earlier stipulated need to ‘save the nation.’ Namely, on February 9, fifteen political leaders including a former Deputy Premier who had been fired by President Kuchma - Yulia Tymoshenko - formed the “National Salvation Forum”.²⁵ The declared goal of this political union was to “put an end to the criminalized regime”; to strengthen respect for rights and rule of law; and “to return Ukraine to the European path of development” (February 9 - A Historical Date? 2001)

Hence, the signs of *new political forces mobilizing* that signal the beginning of transition were present prior to the events of 2004 protests in great variety. **First**, it is evident in the great

²³ According to Volodymyr Chemerys, a political activist of the movement and member of the Ukrainian parliament in 1994 - 1998.(Chemerys 2017).

²⁴ Taras Shevchenko (1814-1861), was a famous Ukrainian writer and dissident in Tsarist Russian Empire.

²⁵ Sometimes termed “Committee” rather than “Forum” in English translations.

increase of numbers of participants of public protests in “Ukraine without Kuchma” compared to other political protests of that time.

Thus, for instance, prior to “Ukraine without Kuchma”, the protests of Donbas coal miners in Kyiv demanding fair wages and compensation for unpaid arrears in 1990s had a regionally and socially narrow base: all registered 400,000 working coalminers protests in Kyiv usually counted under 2,000 participants.²⁶ In a typical pattern the miners would return to their work sites and the government would resume its policies similar to pre-crisis mode.

The novelty of “Ukraine without Kuchma” and the declarations of Forum of National Salvation, thus, was not necessarily in the content of the slogans it propagated. After all, heavy criticism against Kuchma had been leveraged during presidential campaign even prior to his second re-election. Neither was it in a stellar compilation of the political founders of the Forum, ranging in their ideological spectrum from rightist to socialist. Paul D’Anieri aptly remarks, the “shifting alliances” were a core feature in Ukrainian politics in these years, when political parties were in continuous struggle for influence against institutionally and economically strengthened Office of the President (2007, 115–23).

But rather, - and *secondly* - the qualitatively different character of this emerging tectonic shift was in the fact that new politically active generation entered in the political life of the country. Unlike regionally-based and issue-limited movement of coalminers, “Ukraine without Kuchma” started to incorporate a critically important and generationally new group into the public activism in Ukraine.

²⁶ This is not to be confused with general miners’ strikes in 1989-1991 prior to the collapse of the Soviet Union which were significantly more widespread both in numbers and geographical reach.

In the beginning of 2000s the generation of Ukrainians born in early 1980s who had barely experienced the Soviet system of schooling and ideological propaganda beyond their elementary grades, came out of age and entered their student years. This was a new generation, later termed “Orange.” As Andriy Kurkov, a prominent writer and analyst of Ukrainian social life remarked: “Kuchma never feared my generation. However, he forgot that we would have children and these children never knew KGB” (Gruda quoted in Kuzio (2006, 374)). And differently from their predecessors, the student generation of early 2000s for the first time in recent Ukrainian history had an option of being educated not in government funded, regulated and censored universities and colleges, but in its first private higher educational colleges and universities in Ukraine. In fact, state accreditation of private institutions in Ukraine began in 1995-1996. From 1997 to 2000, private higher education institutions finally gained state recognition and issued their first diplomas. These institutions comprised about 6% of the total number of educational institutions in Ukraine in early 2000s (Slantcheva and Levy 2007, 219)²⁷.

The importance of this lies in the fact that it has been largely established in protest and social movement literature that the most likely social group to mobilize for public protests are students.²⁸ And in the Ukrainian case, indeed, the age group of 30 year olds and younger were more likely to join the Orange revolution than other age categories (Stepanenko 2005, 612).

²⁷ At the beginning of the transition this student population was not economically better off than other social groups in Ukraine: these students either supported themselves financially by part time jobs or had extended family cover some of their out of town living expenses and/or tuition. Tuition rates were not prohibitive, however. During my time of working for the Ukrainian Catholic University, most of the students could cover their tuition through ‘work and study’ program at the University. Hence, the economic factor was not a driver for change in the mobilization of this group, but rather ideological and political factors mattered here.

²⁸ See, for instance, Lichbach (1998).

And along with small businessmen class, youth was a key social group that made the Orange revolution a success in terms of participation.

Notably, in line with my argument that private higher educational institutions played a role in the formation of the new “Orange” generation, the premises of one the largest private universities in Ukraine, Kyiv-Mohyla University, or “Mohylyanka” was the initial site of young political activists preparing “Ukraine without Kuchma” campaign. Later the Mohylianka meetings morphed and coalesced into a more formal “(Yellow) Pora” organization.²⁹

In fact, one of the proverbial slogans of the Orange revolution, “Together we are many – we won’t be overcome!” (“Razom nas bahato, nas ne podolaty!”) first echoed from Mohylianka students who stood up to guard off their dorms from police searches. These searches had ordered by the regime alleging “terrorist motives” to Mohylianka activists three weeks prior to large public protests in Kyiv. General assembly of Mohylianka’s students, faculty and staff has voted in favor of suspending academic studies to partake in the Orange revolution (Byukhovetskyi 2005). Mohylianka’s president, Vyacheslav Bryukhovetskyi made appearances on the stage along another president of a private university that partook in the Orange events, Fr. Borys Gudziak from the Ukrainian Catholic University whose students likewise were at the forefronts of election monitoring, protests and volunteer support during the events.³⁰

Since those initial meetings at Mohylianka, Pora became one of the most active new civil society and political actors undertaking a variety of get-out-to-vote, voter education, fraud

²⁹ Interview with an Orange revolution activist, May 2013. Also, confirmed in online memoirs of another activist available here: <http://www.pravda.com.ua/articles/2009/11/18/4321456/>

³⁰ After the Orange revolution, this cooperation in political activism of both private universities continued as they submitted a nomination of Viktor Yushchenko candidacy for Nobel Peace Prize and were in turn recognized in shared audiences with the President etc.

prevention and protest activities prior to and during the Orange revolution. Eventually, after the revolution, Pora registered as a political party and in 2006 parliamentary elections was 3rd and 4th most voted party in Lviv and Ivano-Frankivsk regions respectively. And in 2007 parliamentary elections it joined other smaller parties in a political block “Nasha Ukrayina - Narodna Samooborona” that won 72 seats out of 450. This, is again, a piece of evidence that the new political force mobilized on the horizon of the Orange revolution.

To summarize, I traced the beginning of political transition in Ukraine in the evidence of an increased number of participants in political protests; and a mobilization of a qualitatively new social subgroup with different set of values and expectations. I now turn my attention to the evaluation of the criteria for the end of this political transition.

4.2. Political Transition after the Orange Revolution, 2005-2009

In this section, I examine the context of political transition that undergirded the foreign policymaking environment in Ukraine since the Orange revolution and on. Therefore, I will not delve into the description of the events of October 2004-December 2005 that transpired during the Orange revolution. Suffice it to say, the regime change did occur as the result of the Orange revolution (i.e. transition from one regime to another did take place). President Kuchma was unable to hand over power to his personally selected candidate, Viktor Yanukovych. And new values and practices that break away from “Kuchmism” had been formed, as I show below.

The end of the transition, according to my treatment of the term here, should be signaled in part when the new regime either establishes new, functioning institutions of government or reforms existing institutions to bring them into conformity with the new political

values. It is on this aspect of the end of transition that I focus in this section - other criteria for the end of transition were either already satisfied prior to the transition or were easily satisfied in the early days of the transition as I mentioned in Chapter 3. I will only dwell briefly now to present evidence that new regime “no longer faced civil war or unrest at the level that threatened its existence,” per one of the criteria for transition’s end (Francisco 2000, 42)

The Blue protests in support of Viktor Yanukovych that discounted the results were brewing in Donetsk until the official inauguration, collecting close to 4,000 participants in early January 2005 (The Meeting in Donetsk 2005). These protests nominally “threatened” the new Orange power in that their slogans and distributed materials called for imprisonment of Viktor Yushchenko and impugning him with “bringing the country to the verge of civil war” and “currency inflation and price increases” (ibid). However, in practical terms these protests made no tactical or strategical moves to contest the results of the elections and they did not attract a growing participation over time.

Therefore, past the inauguration of the new President in January 2005 there were no actions on the part of the Blue opponents of the Orange revolution that would threaten the existence of the new regime. The Blue opposition activists, although with significant support base in the Eastern regions, mounted no collective action to present a sustained challenge.

4.2.1. Declared Values of the Orange Revolution Political Actors

This brings me back to the discussion of the crucial element in the understanding of when the transitional period ended in the Ukrainian political life following the Orange revolution: the examination of whether the new regime was able to institute new functioning

institutions of government or reform the old ones in order to bring them in conformity with the new set of values. Such exploration of the institution building first requires examining what the declared values of the Orange revolution were. I will then study the governmental initiatives, directives, and acts that restructured or instituted new institutions, approaches and procedures in conformity with the declared goals of the Orange team.

First, in order to understand what the Orange political camp stood for,³¹ I examine an important document that emerged in less than ten days after the Presidential inauguration, and immediately after the new government was confirmed by the Ukrainian legislature with Yulia Tymoshenko at its head. This document, labeled “Nazustrich Lyudiam” (“Towards the People”) was voted on February 4, 2005 by Verkhovna Rada as a “Program of Activities for the Cabinet of Ministers of Ukraine”, a compilation of commitments for reforms and a plan of action for the Orange Prime Minister and her government.

This 40-page long document of close to 10, 000 words even if themed “for the people” or “towards the people” is not an easy read for an ordinary citizen. Admittedly, as a relatively new practice, “Towards the People” in that sense was not far in terms of the breadth of activities it covers from the previous similar documents. Viktor Yanukovich during his Premiership under President Kuchma presented two documents of similar length, each of them projecting his government’s work for one year ahead, 2003 and 2004 correspondingly. But “Towards the People” discursively strikes a different tone. The document strives to encompass not only the prospected activities of the Cabinet, in a purely functional sense, but rather to postulate how the

³¹ This, notably is different from what the Orange protesters en masse pursued: the public good in demand was the reversal of the results of the fraudulent elections and the removal of President Kuchma who sanctioned the vote rigging from power.

new transformational changes that swept through the country in 2004 should be reflected in all spheres of political and social life of the Ukrainian government and the nation. The structure of the document showcases this well.

Thus, for example, the contents of the Program are organized under six broad concepts that underpin vast areas of social life: Faith, Justice, Harmony, Life, Security and the World. These sections are preceded by three brief sections of ideological and value-based character as well: “The Ukraine We Believe In”; “The Government State We Live In” and “The Government State We Will Build.” These three sections make a clear break with the previous Programs of the Cabinet of Ministers: there are no references to other official documents that “Towards the People” is linked or based on, for the most part no clear numerical benchmarks to achieve etc., but rather an acknowledgement of the revolutionary turn in the Ukrainian politics and the break with the old ways of the previous regime. Hence, the opening paragraphs of the document declare that:

The main motto of our Government is a free person in a just state. The highest values are the human development and dignity, spirituality and freedom, equality and solidarity, civil society and democracy, unity and law-based state, interethnic and interdenominational harmony, mutual respect and tolerance, justice and well-being.

...The government state where we have been currently living has made lawlessness, injustice and neglect for democratic values a norm of social life. The fusion of power and business, corruption and bribery have become a threat to our national security.

... We will change the philosophy of government of the past 10 years. From now on, the government will serve the individual, rather than people working away for the interests of the powerholders. (Program of Activity for the Cabinet of Ministers of Ukraine “Towards People” 2005)

What are we then to derive as “values” of the new regime, in accordance with which the new regime needs to reform its functional institutions in order to complete the transitional stage per my adopted definition? “Toward the People” harkens back to Viktor Yushchenko’s

presidential candidacy electoral program that stipulates “10 Steps Towards People.” In this key electoral campaign document, in addition to social promises that “Towards the People” reiterates and elaborates, Viktor Yushchenko importantly promises to:

“4. Make the government work for people; conduct decisive fight against corruption.

In order to do this:

- to fire embezzlers and bribe-takers from their positions in executive branches and appoint in their stead honest professionals with integrity records;

- size down unnecessary government structures, decrease the number of the army of civil servants; the remainder of them will be provided with appropriate work conditions and dignified salary. A cheap government employee is too expensive for the nation. Every civil servant is to sign “The Honor Code of Civil Servant” and is to follow it inviolately;

- to clearly define the functions of the renewed government structures. The government state will not interfere into the lives of people where they are able to fare much better without it;...”(Yushchenko 2004)

Most of these initiatives are also echoed in “Towards the People” Program, even if not collected under one comprehensive list.³²

Yushchenko’s inaugural speech highlights these values as well. It first pays tribute of the victory of democracy and emphasized the unity and respect for diversity. He then proceeds to paint the picture of prosperous new Ukraine, where “no one is going to be left disadvantaged” and “the government will give its budget to the people to the last penny. The pensions, aid and other social programs will continuously grow. Healthcare of all and the protection of mother and child will be the highest priorities of the work of my government” (Yushchenko 2005). This goal is inextricably tied to increasing the budget while “decreasing the taxes, but these shall be paid by all” (ibid). Directing all these funds into the appropriate social programs is predicated

³² For instance, the anti-corruption measures and judicial reform are dealt with under the “Justice” part of the document, whereas administrative reform (the reform of civil service) and regional policy are treated in the “Harmony” part.

on “leading the economy out of shadow” and “destroying the system of corruption” so that “the state budget shall not a ‘feeder’ anymore” because the “public offices will be occupied only by those whose expenses equal the declared profits.” All in all, the President promised to create “a democratic government that is honest, professional and positively patriotic” where “the wall that separates a civil servant from people will be destroyed. A renewed government will know its duty and will work for the benefit of citizens and the country” (ibid).

Thus, the inaugural speech could be summarized by two mottos: “We shall become a prosperous country” and “We shall become an honest country.” However, the implication is that the honesty of the government is tied to the kind of the state budget management that is no longer embezzled but directed to people’s needs. In that sense, the prerequisite values of the Orange camp could be summarized to be **the fight against the corruption** (which includes persecution and punishment of those public officials who abused power); **optimization of obtuse and redundant government structures** (includes sizing down personnel and clarifying missions); and **professionalization of the civil servants** (includes honorable and efficient conduct of public administration and decoupling personal political and state interests).³³

In order to underscore that these values were indeed new in the Ukrainian political system, it is worth noting that until the Orange leaders took over, no previous regime elevated the fight with corruption and government restructuring to the level of primary governmental tasks in its Cabinet program or in their electoral campaigning documents. In 2004, according to

³³ Other presidential agenda items included for instance, more funds and functions for local self-government; re-privatization of embezzled state assets; re-fitting the Ukrainian army; and bringing to prominence de-Sovietized historical events and public figures. However, these issues were less central to the core of restructuring the state government itself as they had to do more with a new focus in a particular domestic policy area. Therefore, I do not address them here as they do not relate directly to the subject matter.

Transparency International, Ukraine was at one of the most corrupt countries in the world, holding 122nd seat out of 146 states. Furthermore, under Kuchma regime there was no target agency or similar government body that would consistently and systematically handle allegations and investigations of corruption. For instance, one of Ukraine's all time largest embezzlers, Petro Lazarenko, Kuchma's Prime Minister in 1996 and 1997, was eventually tried on these charges in the US since the Ukrainian legal and administrative system was not able to handle cases such as his. Finally, the rise of the Ukrainian oligarchs dealt in later chapters, was precisely due to the fact that government turned a blind eye to a wide range of rents, self-enrichment schemes and other practices inconsistent with good governance.

Thus, Orange leaders' declared commitment was to decriminalize and re-structure government to be largely free from corruption, egregious money-syphoning inefficiencies and dishonest underpaid civil servants. This is the template of basic values of the new Orange regime that rose to epitomize in its work the popular demand for a just and free state. And it is against this set of values that I will now examine the successes and failures of the Orange regime to implement them. This will allow me, according to my theoretical framework to identify when/whether the transition period in Ukraine ended.

4.2.2. Orange Promises Kept and Broken: Unfinished Reforms, Incomplete Transition

In order to see how Viktor Yushchenko's and the Orange government implemented the values from their electoral promises and post-revolutionary commitments to bring old government institutions in conformity with these values, I will examine the several aspects of the Orange team's governance under President Yushchenko and his Prime-Ministers. First, I

will study how Viktor Yushchenko himself applied these values and principles to the government structure most immediately available to him - the Office of the President of Ukraine. I explore how the declared value of optimizing the work of government agencies by re-structuring and downsizing the personnel to the essential ‘few’ but ‘professional’ cadres, free from corruption charges was put in practice by the President at this basic level.

Secondly, I will look at the Orange government’s team efforts ‘to break the wall between the government and the people’ through the initiative of establishing the “civic participation boards” on the basis of several government agencies. I will examine the work record of some of these boards and argue that their functions were perfunctory and not impactful to the degree necessary to bring the bureaucratic machinery of the state in line with the goals and promises of the Orange leaders.

Thirdly, I will survey how the Orange regime attempted to implement the value of honest and professionalized governance through the civil service reform in Ukraine during the years of Viktor Yushchenko’s presidency. I will note some the existing initiatives, the level of political will and the general context of political competition between the Prime Ministerial Office and the Office of the President that largely hijacked any effective initiatives in this regard.

Finally, and inextricably connected with the previous point, I will assess how President Yushchenko and the larger team of Orange leaders pursued a critical value of integrity in the conduct of government affairs by persecuting officials with history of embezzlement, corruption and other state affairs-related crime – a concern featured prominently on the agenda of the Cabinet of Ministers and on the “10 steps” of the President, and likewise very critical for the Orange voters as well (Stepanenko 2005). All in all, the presented evidence will allow us to

discern whether the new Orange regime had a record of abiding by the declared values and reforming the government institutions accordingly. A successful record in these reforms would indicate that the transition stage was complete under President Viktor Yushchenko; whereas failure to institute at least functional new or newly reformed institutions that align with the declared values would be considered as an evidence for an incomplete regime transition in the years of Viktor Yushchenko's term of 2005 – 2009.

As a related point, I would like to note that this exploration is not a comprehensive assessment of Viktor Yushchenko's presidency: indeed, I do not examine how other electoral promises were or were not kept, or whether in totality of the performance of the Orange government over these years was deemed satisfactory either by citizens or experts. My sole goal at this point following the theoretical path outlined in Chapter 2, is to establish whether or not the transition period was complete and in this sense my only preoccupation in this section is to determine whether or not the government institutions were properly (that is following the declared values of the new regime) reformed or new ones introduced.

4.2.2.1. Reform of the Presidential Administration in Ukraine

I start by looking at how Viktor Yushchenko practiced the values of the Orange regime in the work of his own Office of the President officially termed the "Administration of the President of Ukraine" (APU). My reason for examining primarily the work of APU rather than a vast array of other ministries and other Ukrainian government agencies is two-fold. First, this agency was closest and most immediately accessible to the President himself. He encountered the work of the APU employees on a daily basis in his press preps, analytical notes, advising, liaison with other state agencies and so forth during his term in office. In other words, he was

able to interact in APU's diverse departments directly and had an opportunity to evaluate their missions firsthand on the basis of the services that the APU provided.

The second reason for examining APU primarily, is that shortly after he took office, President Yushchenko faced a different political system from the one he was ushered into. Indeed, on December 8, 2004, in the heat of the enfolding Orange revolution on streets of Ukraine, President Kuchma signed into law a piece of legislature that was hastily adopted by Verkhovna Rada of Ukraine "as a packet" (i.e. without itemized discussion): the Law of Ukraine #2222-IV, or the Law of "Four Twos." Under the provisions of this Law, significant amendments to the Constitution of Ukraine were introduced. These amendments were negotiated between President Kuchma, Prime-Minister Viktor Yanukovich and Viktor Yushchenko the day prior, on December 7, 2004. The Law #2222 provided the basis for a constitutional reform in Ukraine that would shift the political system of the country from a strongly semi-presidential to what could be best termed as quasi-parliamentary state.

The initiation of a constitutional reform in the middle of the ongoing revolution, confusing as it may seem, had strong political roots in the years prior to the events of the fall and winter of 2004. Under President Kuchma the political power had been largely consolidated in the top executive office, which allowed for the greater abuse of power by the President. This became the main point of contention for the anti-regime protests of "Ukraine without Kuchma" and the Orange revolution. The Orange leaders saw in the upheaval of the revolution an opportunity for a structural change in the Ukrainian political institutions, a way to shift the centrifugal forces of power away from the presidential office to a more democratic parliamentary system.

At the same time, President Kuchma had sensed his eventual demise from power due to sinking political approval in the wake of the Kuchmagate scandal. So in 2002 and 2003 he started to advocate for a parliamentary system himself, fearing that his future political opponents may wield that strong power against him in a multitude of unpredictable ways (Kuzio 2015, 65–66). As the gains of the Orange revolution were closely within grasp, both sides capitalized on the opportunity and found a point of convergence on various constitutional aspects.

As a result, the Law #2222 stipulated a number of new and important provisions. First, the Government of Ukraine, i.e. the Cabinet of Ministers of Ukraine with its head as the Prime Minister of Ukraine, was now to be formed by the parliamentary majority in the Verkhovna Rada, rather than staffed by the President and then approved by Rada. The only exception was the position of the Minister of Foreign Affairs and the Minister of Defense. Their candidacies became the prerogative of the President, whereas the rest of the Cabinet composition was now determined by the Prime Minister. The Prime Minister candidacy now had to be formally proposed for approval to Rada by the President. However, this candidacy had to be "in accordance with the submission by majority party coalition" from Rada to the President. The appointment and dismissal of the Cabinet and the Prime Minister became a prerogative of the parliament and the members of the parliament had their terms extended by one year to a total of

five years. The appointment of local heads of regional administrations, the top executive at oblast level, however, was still preserved for the President.³⁴

On one hand, these changes presupposed a more representational model of governance with a parliamentary appointment and oversight of the Cabinet of Ministers. On the other hand, since party lists were closed, a selected minority of insiders could compose party lists, which in the Ukrainian context meant a wider opening for oligarchic influences.

Further, the Government, formed according to such procedures, previewed a possibility of cohabitation by the President and Prime-Minister under the scenario where both candidates are elected coming from the opposing political platforms, a practice well familiar to the students of politics of France, Finland, Georgia, Romania etc. However, under the Law #2222 the cohabitation was further complicated by the fact that some Cabinet members were implicitly pro-Presidential while others pro-Prime-Ministerial candidates, following from the procedure of their appointment. This would leave a Cabinet of Ministers theoretically more prone to deadlocks and vagaries of political play based on the subordination issues.

I explore these developments in further detail in the next section of this chapter while discussing the institution building during Orange presidency years. For now, suffice it to point out in line of my argument, that the Law of Two Fours came into power on January 1, 2006, almost a year after the inauguration of President Yushchenko and it left the President unable to manage the work and reform of the Cabinet as he had the opportunity the year before. President

³⁴ For more on another aspect of political system change in Ukraine, the electoral rules change from 2000 – 2006, see Erik Herron (2007), *State Institutions, Political Context and Parliamentary Election Legislation in Ukraine, 2000–2006*.

Yushchenko on various occasions voiced his complain and criticism about the divested powers once the Law came into force (Kuzio 2015, 66). Unable to annul them and stifled by his power struggles with his own Prime Ministers Yulia Tymoshenko, he went insofar as to dissolve the parliament in April 2007.

This only goes to show that in reality, since 2006 Viktor Yushchenko was unable to have working relationships with - to say nothing of reforming of - the Government structures that were under the control of the Cabinet of Ministers of Ukraine. Studying whether the new regime was able to put new values in practice by looking at the work of the government agencies in the middle of the power struggles between the President and the Prime Ministers would give us an inaccurate picture due to the effect of the constitutional reform.

For instance, Yulia Tymoshenko was in office for short eight months with her first cabinet. She was succeeded by the Orange opponent Viktor Yanukovych, whose goals and ideological positions were opposed to the Orange revolution that had defeated him in 2004. Yulia Tymoshenko's second tenure as a Prime – Minister, from December 2007 to March 2010 was even more marred with deep-seated rivalry and open animosity with the President. There were accusations of “hysteria,” assassination and intimidation attempts, along two votes of no confidence to her Cabinet. Most importantly, the global financial crisis put Ukraine in the category of states most acutely hit. In other words, downsizing and optimizing the work of the government structures³⁵ was hijacked by the political struggles, in addition to being unavailable to the Orange President due to the new distribution of powers.

³⁵ It is worth to consider whether optimization of the work of government should be solely attributed to Orange values, or rather whether it was an outcome of some other external pressures of the day. In this sense, my goal is not to investigate the causal primacy of different factors that may have played a role in why the Ukraine was undertaking reform, but rather to determine what kind of reforms the Orange team pledged (values as evident from

Therefore, I now turn to survey how President Yushchenko's own agency, APU, was reformed. The evaluations of the reorganization efforts in this agency gives me a perspective of looking at how the government body that was completely within Presidential authority throughout the whole time of his term was/was not the embodiment of the promised changes by the Orange regime.

Thus, one of first official documents issued by Viktor Yushchenko as a newly elected president was a decree to rename the APU that carried a negative connotation from the previous regime. The official name for the Office of the President was now the Secretariat of the President of Ukraine (SPU)³⁶. With it came certain structural changes delineated in the decree, including several names changes for services and departments at SPU. Admittedly, however, the first SPU did not differ greatly from the APU under President Kuchma. It got rid of four departments, yet acquired five new ones, with functions not too different from the APU. Furthermore, this document did not stipulate how many Vice-Secretaries and their immediate subordinates the head of the SPU would have, which left a loophole for getting into SPU as many dubiously qualified candidates as one wishes.

This was corrected the following month, when a new structure of the SPU was rolled out with high hopes and reports that Ukrainian alumni of world's best colleges and universities – “from Harvard to Oxford” – are to join the team, per invocations during the Orange revolution. In fact, it became a popular belief among the early supporters of the Orange regime: “Yushchenko is hiring a new team, unbiased graduates from Western schools!” “The time is

pre-tenure, electoral documents and initial government programs) and whether it was able to bring them into a reformed way of working for government agencies.

³⁶ The official and full text in Ukrainian is available here:

<http://zakon2.rada.gov.ua/laws/show/111/2005/print1108499668631614>

now to rebuild Ukraine!” was the refrain I often came across in the circles of young professionals in Washington, DC during that time. However, the recruitment path that one would take in order to join the Presidential team was very convoluted: there were no available positions announced with any sort of official recruitment processes.

A story of a colleague that I worked closely with, who did make it into the SPU is illustrative in that sense. This person was singled out during one of the meetings Yushchenko held with representatives of the Ukrainian colleges and universities that took active part in the revolution. She was presented by a president of a college as someone who successfully organized a large-scale volunteer project to unite Eastern and Western Ukrainian communities when the Orange revolution was drawing to an end, and the rift between the two opposing political cultures in the regions was very evident. Without hesitation, the President stated that she would be guaranteed an employment in his administration.

Several weeks afterwards, this person was contacted by an SPU human resources specialist for an interview. The offer came for her join the Presidential team on a newly created position for liaison with civil society organizations, a position that had never existed at APU. Whereas one can commend the ingenuity and flexibility of the Orange SPU HR team, this was also indicative of a deep lack of strategic managerial vision of how this government office was going to be organized.

The career path of this young professional exemplified further difficulties of reorganization of SPU as well. There was no guidance as to what the position entailed, no benchmarks for progress assessment or identifiable goals. In fact, in the first weeks after the appointment, this young woman puzzled her co-workers almost into intimidation: how could

she rise so fast as to take a position in the Office of the President without notable political connections? Such hire was indeed, an unseen practice and a rare exception.

This person realized very soon that, in order to do anything effectively as an outsider she had to understand the competing currents, camps and alliances within the SPU at work. The main *modus operandi* she deciphered during her career at SPU in 2005-2006 was the so called principle of “dostup k telu” or “access to the Body” (in Russian). This principle was a living vestige of the previous regime that thrived well in the new Orange administration.

The “access to the Body” meant that whoever had more of private time with the President was deemed to be in a more powerful standing vis-à-vis other staffers, even if institutionally speaking such power was not invested in one’s official position. In this sense, it was not so important whether one’s title was Vice or First Vice Secretary of State or simply an unpaid Advisor: the power and influence of Advisors sometimes eclipsed those with official positions.

I had a chance to meet with one of such advisors in winter 2006 through a common friend. Our interview was brief and courteous. The message that stayed with me after this conversation was more disturbing than the larger process of being interviewed for an important job itself. What emerged in our candid exchange was that despite the Orange efforts to ‘bring in the new blood,’ the working environment remained the same: “the old system has a way of sucking you in.” Old bureaucratic procedures, stifling blue tape, very slow way of hashing new ways for new initiatives, turf war and lack of delegation among staff was still the defining characteristics of the SPU work despite almost a year by since the Orange team took power, according to the advisor.

So even though there were several new individuals hired without ideological agenda of their own to pursue within the administration, they typically did not last for long in the new administration. This was also corroborated with another episode from the career of an individual that I knew to work at SPU. This young professional got a job through the same advisor-recruiter in the “Analytics Department” of SPU at that time. The job consisted in compiling the pertinent economic data of the day for the review of the President in order to keep him current. Even though such work did not require any explicit political ‘alliances’ within SPU to fulfil one’s job, this person nonetheless did not stay with the team and decided to leave the post.

The next strategy for this Presidential advisor-recruiter was to hire groups of those who could form in his words “a critical mass.” This turned out to be an even more formidable task. It required finding people with similar values and career aspiration who, in addition, could form a personal bond in order to withstand the pressures of the job together. The premise and the process of such hiring procedures only goes to underscore how fundamentally inefficient the SPU was from its early days and on.

The subsequent years of the Presidential administration attest to the deepening of these processes, especially starting with the difficult cohabitation period of Viktor Yanukovych as a Prime-Minister of Ukraine from August 4, 2006 to December 18, 2007. The rifts within the SPU grew after the Orange camp lost majority in the parliament during that time. The President needed influential connections within his own administration to be able to interact with the Cabinet that now reported to Viktor Yanukovych. According to the reports of insiders of the SPU, after the Blue camp overtook the Orange parties in the parliamentary elections, President Yushchenko struggled to keep his political influence relevant with the newly shifted balance of powers. Repeated reshuffling of the higher rank staffers in his office became customary.

According to some reports, dozens of staffers from the “Halychany” faction³⁷ were asked to resign or became alienated from the “Body,” dozens of new official figures were either appointed or started to have access to the “Body” and a new shadow Cabinet of Ministers was formed in order to counteract Yanukovych moves. The flow of people and the issues to be solved in the Soviet- style “access to the Body” style was so huge that the office door of the newly appointed Head of the SPU, Viktor Baloha in September 2005 was literally never closed. It was done on purpose, “in order not to waste time on manipulations with the door handle” (Chyvokunya 2006).

Such hectic and disorganized environment, with high turnover, lack of team spirit between the competing faction, missing clarity in hiring procedures and continuous reliance on “access to the Body” persisted until the final days of President Yushchenko in office. This is well evidenced by the number of orders and decrees and official appointments issued over the term of the Orange leader. Thus, only for 2005 I found five documents issued by the President regulating the number of staffers, renaming departments and re-ordering the functions of different departments. By comparison I have found that under the previous regime, President Kuchma would issue one decree related to APU per year, sometimes skipping a year or two in this regard. Whereas one may attribute such volume of document flow as an evidence for genuine effort to reform SPU, the nature of these changes and the quality of SPU as an agency testify to the failure of reform. Thus, in five years of his tenure, Viktor Yushchenko changed five heads of SPU, which naturally introduced a disruption in the work of the agency that relied

³⁷ *Halychany* is a collective name for those coming from the part of the Western Ukraine with L’viv, Ivano-Frankivsk and Ternopil oblasts that form *Halychyna*, or Galicia, a historic region in Ukraine. *Halychany* faction in SPU was headed by Ivan Vasyunyk.

on modus operandi to approve every small or big bureaucratic move with the top chief of the agency.

In another example of such SPU inefficiencies, Viktor Baloha, resigned in 2009 citing the fact that Yushchenko had surrounded himself with unprofessional ‘god fathers’ and ‘friends’ [or advisors as I have shown in his early presidential years of 2005-2006]. Without appointment, these individuals tried to command the work of SPU with no official authority to do so (Baloha on Yushchenko and Tymoshenko 2009).

This point is well connected to the further evidence on the inability of the regime to keep to their value and promise of ridding the government from corruption by persecution of the officials accused of bribery that I discuss below.

To summarize, the lack of clear hiring procedures, the strong bureaucratic principle of the “access to the Body” along with the inappropriate amount of outsider’s influences on SPU work rendered the government reorganization efforts of the Orange regime fruitless. Based on the evidence presented above, Viktor Yushchenko’s failed to reform and optimize the work of SPU, the very government agency that was directly and fully under his authority. Overall, this testifies to the lack of the necessary criteria for the completion of the transition period under Viktor Yushchenko’s presidency.

4.2.2.2. “Civil Society Participation Boards:” Bringing Government Closer to People

In the previous subsection, I have shown that during the years of the Orange regime a critical value of re-organizing and optimizing the work of government agencies failed to materialize at the level of the presidential administration office. To develop my argument

further regarding the (in)completion of transition in Ukraine during the tenure of Viktor Yushchenko, I will now examine evidence on another value of the Orange revolutionaries: bringing power closer to people and putting it at their service, thus “breaking the wall” between the authorities and ordinary citizens. In this subsection, I will briefly look how the Orange regime tried to achieve that through the initiative of establishing special boards with representatives of civil society. Their role was to advise and otherwise participate in the work of different agencies, the so called “Civil Society Participation Boards” (CSPB).

Whereas I use the term CSPB here as an acronym, it should be noted that these boards did not bear any common official title. Depending on their host institution, they functioned under different names of Public Collegium, Public Council or Public Hearings, etc. Summarily, they were reflective of the Orange regime’s desire to institutionalize a connection to their voters and general public. CSPB would engage those groups and individuals who previously for political reasons had been on the margins of governance yet possess policy expertise or could contribute to the public oversight over the work of certain government agencies.

This initiative had some symbolic predecessors in the previous regime, such as the All-Ukrainian Student Council under the auspices of the President of Ukraine and All-Ukrainian Public Council. The latter was created under Kuchma administration in the wake of the spring 2001 protests. Its work, although promulgated by the Presidential support, was not of any substantive impact. The Presidential Decree #244 of April 11, 2004 stipulated that the recommendations of the All-Ukrainian Public Council were “to be studied” by the “government bodies.” However, there was no provision that any concrete agency would actually incorporate the advice from this Council in their work. This was fully reflective of the policy of Kuchma’s

regime aimed to exclude and intimidate civil society members from any affairs related to governance.

President Viktor Yushchenko took these incipient efforts of ‘democratization’ of the government activities to a new level. The first step in that direction was the institution of the so called “Presidential Public Hearings” decreed on September 15, 2005. The decree ordained the First Presidential Public Hearing had to take place in November 2005 to commemorate the first anniversary of the Orange revolution. This had to be done in only two weeks from the document signature. The decree also foresaw that such hearings should be an annual practice and that the Cabinet of Ministers should prepare a plan of incorporating public oversight into the work of government by January 1, 2006. The process of bringing down the wall between the public and the government had not been institutionally implemented until the end of the first year of the Orange regime. But furthermore, after January 1, 2006 when a new distribution of powers between the President and the Prime Minister was ushered in, the initiatives of reform to bring the public into the work of the government started to be hijacked in the contention between Viktor Yushchenko and his then Prime- Minister and rival Viktor Yanukovych.

The Presidential hearings were little more than a forum in which ideas and grievances were aired. There was no procedure in which “public” in the wider sense of the word was truly involved: the speakers were selected by invitation only. They were widely televised and included well known Ukrainian figures of authority in science, culture and religion, (e.g. Oksana Zabuzhko, a writer; Vira Naniivska, an analyst; human rights lawyer Yevhen Zakharov, etc.). The potential opponents were also invited, such as Kuchma’s son-in-law and an oligarch Viktor Pinchuk. These hearings were widely televised and speakers were expressing their opinions without the kind of censorship which previously characterized Kuchma’s controlled

Ukrainian media outputs. Nonetheless, there was a sense that these hearings were more symbolic and public relation-focused in nature rather than directed to achieve any concrete outcomes.

Perhaps, the very name “Presidential Hearings” conveys the nature of this initiative in a succinct way: these were hearings, not elaborations of a course of action. The thematic working groups in the second half of the hearings were encouraged to submit their recommendations to the Final Document of the Hearings. Yet such document never found its way to online to wider public. The hearings were also supposed to be followed by a series of regional ‘public hearings’ held in the same format. Notwithstanding such intention, the second wave of hearings never truly took off for budgetary and other reasons³⁸. Furthermore, some participants underscored that the format of the Hearings with the Yushchenko presiding over them gave him the podium to promote himself to the point that it felt more like “hearing from the President” rather than “hearing by the President” (Yushchenko Took Counsel from the Intellectuals 2005)

Furthermore, even though the Presidential Hearings were mandated to be held on annual basis, this practice did not stay. The Second Presidential hearings were reported to be in planning by SPU for summer 2006 and at that time they were to be focused on those issues that were politically most pertinent to the President in the context of the redistribution of power. SPU declared that the Second Presidential Hearings would address the issues of “configuration of power, the cooperation of branches of government in the new conditions as well as the problems of power coalition”(Matviyenko Says What Yushchenko Is Afraid of 2006).

³⁸ For instance, the first oblast (regional) level took place in Poltava three years later, in 2008, when Presidential popularity was already sinking and executive power diluted:
<http://misto-tv.poltava.ua/news/1644/>

However, none of these plans came to fruition as the SPU and the President got further embroiled in power struggle with the Premier. No further Presidential Hearings followed either.

In contrast, Prime Minister Yanukovych held his own “Uriadovi” Hearings or Governmental Hearings on May 7, 2007. This was similarly to the Presidential Hearings a televised event, and perhaps only that qualifies it as ‘public’ since there was no other public participation in the event. Furthermore, the key participants were the First and the Second Presidents of Ukraine, Leonid Kravchuk and Leonid Kuchma, the former Speaker of Rada Volodymyr Lytvyn, current speaker Oleksandr Moroz and other prominent figures. No representatives from the President or from the opposition took part in these hearings that were to tend to the problems of the political crisis in Ukraine. This was a reaction to Viktor Yushchenko’s two earlier Decrees that disbanded Rada and called for snap elections. In an effort to bring Mr. Yushchenko to accountability for this action, the Government Hearings reiterated that presidential elections should take place at the same time as parliamentary snap elections (Government Coalition Held “Public Hearing” 2007).

Thus, the mechanism of public hearings, originally introduced a new way of communication between the wider public and the state, essentially turned into a method of projecting one’s own political agenda, on both sides of the political spectrum. The hearings largely failed to achieve its stated goal of “bringing the wall down” between the government and the Ukrainian people.

This was not the only decreed institutional method through which the Orange regime tried to bring the voters closer to the governing practices of state agencies. Of note is a belated initiative of Yulia Tymoshenko’s Cabinet of Ministers of Ukraine to introduce a new way for civil society organizations to monitor the government activities through the conduct of “expert

analyses” of a given state agency. This regulation by the Cabinet of Ministers from November 5, 2008 while not mandating that government agencies should have a long-standing platform of cooperation with members of civil society, nonetheless provided a mechanism through which activists and experts could request to audit an agency of interest. The decree obliged the latter to comply without much delay, from 7 to 20 days depending on the nature of the information request. The results of the civil society monitoring and audit analysis were to be published on a special governmental web portal.³⁹ While such initiative was a welcome step, however, there were no expert analyses conducted and published until after 2010.

To summarize, the CSPB did not provide a stable and workable mechanisms for bringing the public closer to the work of the Ukrainian government, even if conceived in their nascent form as Presidential Public Hearings or “expert analyses” by the Orange regime. Rather, these initiatives were either hijacked by political agenda of the organizers or were introduced with delay and overall yielded no impactful results in the years of 2005-2009. This evidence, similarly to the lack of reform of APU, testifies strongly to the incompleteness of the transition period during the Presidency of Viktor Yushchenko. The Orange team once again was not able to bring the existing government structures in line with the declared new values of the Orange revolution.

4.2.2.3. Professional Civil Service of Ukraine: The Reform That Never Took Off

One of the most deeply ingrained vestiges of the Soviet system that was carried into the independence years of the Ukrainian state was the management of all affairs related to civil

³⁹ The portal is accessible in Ukrainian here: http://civic.kmu.gov.ua/consult_mvc_kmu/news/article

service. Indeed, under the Soviet law, the government was the exclusive employer of everyone from a peasant on a collective farm to a top administrator, and some great popular expectations were still strongly in place in 1990s and early 2000s as regards the state being both a ‘provider’ and a trough for embezzlement.⁴⁰ In addition, the independence years were also characterized by a deep mistrust by general public towards those who were supposed to serve the state and society and were paid by the government.⁴¹ Hence, the electoral promise of the Orange team to bring civil service in line with the “service” part of the vocation was a very appealing proposition to a Ukrainian voter in 2004.

However, the process of civil service reform during the years after the Orange revolution could be best described as a movement without any progress. Much evidence showcase that well. First, one of the indicators that the reform of civil service of Ukraine was neither seriously intended nor effectively achieved is that the total number of the state employees was not lowered and professionalized, but, to the contrary, was growing with each year of the Orange regime. Thus, in 2005 the Ukrainian state employed 1,028 900 of civil servants, but in 2006 their number grew by about five thousand of additional employees. The year after that added another three thousand jobs. And in the further year the increase was even more rapid, coming

⁴⁰ Recall that former Kuchma’s former Prime Minister, Petro Lazarenko was named “one of the top 10 corrupt officials” in the recent history by Transparency International, having embezzled at least \$114 millions from the Ukrainian government. For more, see: https://www.nytimes.com/2016/07/07/business/international/a-ukrainian-kleptocrat-wants-his-money-and-us-asylum.html?_r=0

⁴¹ For instance, the Ukrainians consistently believe that “mafia” and “businessmen” are the most influential groups in the society of 2002-2010, with a growing importance of political parties, leading over the civil servants by 10% of responses. See Amdjadin (2011, 546) published in Ukrainian online: <http://i-soc.com.ua/institute/soc-mon-2011.pdf>. Also, the analysis of these processes in 2013 for further reading is available from VOA news here: <http://ukrainian.voanews.com/a/nation-vs-gov/1601885.html>

to a total of 1, 067 500 state employees. This figure finally grew to by another ten thousand civil servants 2009.⁴²

Even if the number of the civil service employees grew, one could argue that their professionalization could have been bettered in terms of training, implementing a code of honor promised by the Orange leaders or otherwise have a major human resource management reform in the government sector. However, this was far from being the case. First, there was no new Code of Honor of Civil Servant put in practice as the Orange regime promised. Instead, the civil servants were still guided by old mechanisms of accountability that were left from the Kuchma regime. There was a General Set of Rules for the Behavior of Civil Servant issued by the Main Department of Civil Service of Ukraine (MDCS) on October 23, 2000 that remained in place until a later half of 2010 when an update version of that document appeared after Viktor Yanukovych took power.

Furthermore, the official oath any civil servant was required to take before assuming his/her duties had already been a part and parcel of hiring procedures for over a decade. Instituted by the Law on Civil Service of 1993, the oath did not change or was not otherwise enforced in any increased manner by the MDCS that was officially in charge of monitoring the ethical aspects of civil servants' behavior. MDCS role in monitoring claims against civil servants was carried out by its Anti-Corruption Department at that time. These functions significantly overlapped with the Ministry of Justice and the Ministry of Interior that likewise were institutionally charged with fighting the corruption. In essence, the Anti-Corruption

⁴² These numbers are taken from the official statistic tables of the Ukrainian government available in Ukrainian here: <http://www.ukrstat.gov.ua>. These figures do not include employees of public education and healthcare sectors in Ukraine, which are also government paid jobs.

Department continued to serve an underdeveloped role with its limited resources (about 30 employees) that were not sufficient to effectively monitor the ethical concerns of over 10,000 civil servants.

Secondly, MDCS was technically equal in its authority to the level of a ministry. As such was beholden to the Cabinet of Ministers of Ukraine and to its technical head - the Minister of the Cabinet of Ministers with the Prime- Minister as the ultimate political chief. In contrast, the system of education, training and professionalization of the civil servants was conducted primarily under the auspices of the National Academy of Public Administration of Ukraine (NADU) with its four semi-autonomous regional institutes in Kharkiv, Dnipro, Odesa and L'viv that altogether made a national system of public management and policy research and education in Ukraine in the early 2000s. The problem consisted in the fact that the NADU and its four institutes was directly positioned under the auspices of the Office of the President of Ukraine. This caused serious divisions and conflicts in the coordination of work between the agency that managed all civil servant affairs, MDCS, and NADU that was responsible for the preparation of the cadres for civil service. NADU needed a functionally sufficient budget to be able to provide quality education, however, this may not have been necessarily on the priority list of the Cabinet of Ministers and so forth.

MDCS and NADU were quick to serve their principals' goals even if it meant the detriment of each other's ability to naturally complement their missions. For instance, during my work on public administration reform and civil service reform in Ukraine in 2006-2007, while international sponsors tried to organize an event or a study visit, the representatives of MDCS could be in protest if the number of NADU participants exceeded their own. And the list of similar small wars was seemingly endless. Finally, MDCS under the leadership of Mr.

Motrenko in 2008 established a new, parallel educational institution, called School of Senior Civil Servants.

The fact that Tymofiy Motrenko, the head of MDCS was able to hold the office from 2003 to 2011, having been a former Vice- Minister of the Cabinet of Ministers of Ukraine under Kuchma is illustrative of another core problem of the civil service of Ukraine that was not dealt with properly by the Orange team, despite their declared desire to reform the civil service. The issues of fusion of political and career positions in civil service were often hard to disentangle. There was no clear classification as of early to mid 2000s of the civil servant posts that needed to be rotated with the ascend of new team of political power holders after an election cycle and between those career civil servants who were professionally employed for their expertise in the sectorial ministries.

Another compounding factor was that the salaries of the middle of the line civil servants (without going in too much details about the ranks and the step system of civil services in Ukraine) were roughly approximate to 150 USD per month. The main salary base was low compared to numerous lucrative ways in which bribes and other malfeasance allowed civil servants to supplement their income. Further, the bulk of income in civil service were bonuses and premiums on that salary base, sometimes constituting 60 to 80 % of their total monthly wages. What such kind of salary structure imposed on a professional civil servant was the continuous strife to “please” their higher rank bosses who doled out the bonuses. Consequently, the quality of civil service sometime was not as much prioritized around the areas of possible improvement, alternative ways of conducting affairs, critical thinking, etc., as it was focused more on doing exactly what the superior commanded to do.

In other words, playing into post-Soviet mentality of the strong leadership and ‘nanny state,’ was also the inadequate fusion of political and expert dimension of civil service exacerbated by unfair and disadvantaging structure of payments and salaries for lower to middle-rank employees. Some of these issues (among many others that I bracket here for the sake of brevity of the current argument) were rightfully recognized by several key civil service reformists, including Motrenko himself. For instance, in breaking with the old system he founded a more institutionally nimble Centre for Support of Civil Service Development in 2004. The Centre still formally functioned under the MDCS, although it possessed more flexibility in hiring and firing procedures, payroll issues, ability to interact with foreign aid agencies and work without direct “government plans.” The Centre was also the main proponent of the draft of the new Law on Civil Service on Ukraine that could have potentially addressed the systemic malfunctioning in civil service of the country described above. However, the Law, for the lack of political will on the part of the Orange team being pushed to the margins of political struggle between the President and his Prime-Ministers, never saw the light of day, until well after the Orange team left the power, in 2011.⁴³

In summary, the civil service reform was strongly in the focus of the rhetorical values of the Orange leaders prior to their taking the office, but the revolutionary regime failed to bring the existing institutions of public management and civil service in line with its declared values.

4.2.2.4. “Bandits – Behind the Bars!” or Not? A Highly Visible Failure

⁴³ The most current version of the law was adopted with much public pressure in December 2015. For some preliminary analysis in English, see <http://euromaidanpress.com/2015/12/12/ukraines-revolutionary-civil-service-law/#arvlbdata>

Here I consider the final piece of empirical data for the analysis of the incompleteness of the transition stage in Ukraine during the Orange regime. This incompleteness is due to the failure to bring old institutions in line with the new values or the failure to establish new functional government institutions. The evidence I present here comes from the further analysis of how the declared value of pursuing justice through the persecution of corrupt and criminalized government officials did not correspond to the measures and initiatives of the Orange regime to implement them.

One of the most memorable slogans of the Orange revolution was “Bandytam – tyurmy!” or “Bandits - Behind the Bars!” Announced at the backdrop of the electoral campaign of Viktor Yushchenko in 2004, this motto had an immediate sway with the pro-Orange supporters. One of the strong reasons for the decriminalization of the Ukrainian government and for the fight with corruption was the very core mobilizing events surrounding the protest movement of the Orange revolution. As such, “Ukraine without Kuchma” was born in protest to the assassination of Georgiy Gongadze who was ordered for killing by the top government officials under Kuchma, with his history of treating the law enforcement as a means of intimidation of his political opponents.

The second event cutting to the deeply rooted need for decriminalized power was the case of poisoning of Viktor Yushchenko himself during his electoral trail. The world media was full of “before and after” graphics of Yushchenko suffering from a concoction of dioxin smuggled into his food. The dose of dioxin surpassed the norm by thousand times, sending him into condition close to death and scarring his appearance for the rest of his life. His opponents perhaps hoped that such event would probably chain Yushchenko to a hospital bed (if not

worse). The Orange revolutionaries were repulsed and indignant with the degrees of debasement such underhanded tactic demonstrated on the part of their criminalized enemies.

Furthermore, the narrative of banditry and lawlessness that was routinely attributed by the Orange movement to their Blue contender was pervasive. There were discussions and reiterations of Viktor Yanukovych's criminal record for robbery in 1967 (and his incarceration for half a year) and for beating in 1970. The Orange folklore abounded in jokes, cartoons and spoofs showing Profesor (as he wrongly spelled on one of the forms) and his gang beckoning a well-known Soviet comedy. Thus, the theme of preventing criminals from usurping power was front and center in the discourse of the Orange goals and aspirations.

Closely tied to these were the expectations conveyed in the values of the Orange revolution that the Ukrainian state would become a corruption-free state at all levels, from the school desks to the top officials. In fact, Yushchenko himself attempted to embody that principle with another famous slogan: "Tsi ruky nichogo ne kraly!" – "These hands never stole a thing!" This latter became a point for popular jokes and caricatures showing him stealing in a variety of different ways, such as with his feet etc. Or later, the phrase was reformulated in popular media in a humorous way to jokingly describe Viktor Yanukovych's motto to be "Tsi ruky kraly, i nichoho!" – "These hands did steal, and not a thing!" implying his corruption with impunity.

With already extremely low levels of trust to the government officials, as mentioned before, much public expectation was placed into this dimension of the Orange agenda. From my experience of living in Ukraine at that time and communicating with diverse representatives of the Ukrainian society, in the first year of the Orange regime the fear of being persecuted for corruption was so large, that in fact the cash amounts of bribes doubled because the perceived

risk associated with taking them and being caught. To aid that perception were not only Orange slogans, but also some unexpected and quite nonstrategic moves by the Orange regime that gained public resonance.

Thus, for instance, in July 2005, just a few months after assuming his powers, Viktor Yushchenko signed a decree to abolish the entire agency of the Traffic Control Police of Ukraine. It was done allegedly due to a personal encounter with an unprofessional traffic controller on his travel. This was an unexpected move even for his own Minister of Interior, Yuriy Lutsenko, formally in charge of the Traffic Control police as a component force in his Ministry. But furthermore, this demonstrated a lack of strategic planning for such institutional overhaul that took place as a result of a personal experience. Finally, this also gave rise to popular rumors and fears that anyone could be fired or hired at the will of the President who, seemingly from this event, would not stop from such drastic measures.

The Traffic Control Agency in the modern Ukrainian folklore is ridiculed for its stereotypically corrupted, lazy and obese officers who always prey for bribes. So, the abolition of this agency was also a popular move that secured public support Yushchenko's image as a strong President ready for brisk action. However, no consistent anti-corruption policy was implemented during the Orange presidency. This is corroborated not only with a weak and stalled civil service reform as I delineated above. Oleh Havrylyshyn (2016a) convincingly demonstrates in his recent work on the political economy of independent Ukraine, using macro-data of World Bank and Transparency International, as well as micro analysis of the Ukrainian business interactions that level of corruption during Viktor Yushchenko's tenure was unchanged. Additionally, the Law on Foundations for Prevention and Fight Against Corruption #1506-VI was adopted very late during the Orange regime tenure, on June 11, 2009.

Finally, further evidence for the inability to harness the criminalized fusion of General Prosecutor's office, law enforcement and well-off power holders was the failure to bring to justice the very perpetrators that were central to the Orange revolution's emergence and resurgence. The case of Georgiy Gongadze was stalled on March 4, 2005 with a mysterious death by two gunshots (into his head) of a major witness to the case, Yuriy Kravchenko, deemed to be a strong lead to Kuchma's involvement into the case. March 4, 2005 was the date when Kravchenko was supposed to testify in the court on the case. Accusations about bribery by Kuchma's circle to stop investigation into his own involvement in the murder of Gongadze abound in the Ukrainian media. Indeed, the family of Georgiy have stood by a conviction that the ultimate criminal in this case was the former president of Ukraine. Instead, three lower-rank officers were jailed in 2008, and only in 2013 a higher rank official who testified to Kuchma's involvement was jailed as well.⁴⁴

Even less impressive is the record of the investigation of Yushchenko's poisoning case. With fits and starts from December 2004 up until present, and with several changes of the main investigators, the case has effectively stalled.⁴⁵ Most recently, the cause for such lack of progress was named to be the absence of lab works to be submitted by Viktor Yushchenko himself. Presently, as of late 2016, no suspects were named despite the fact that Yushchenko claimed that he knew who ordered his poisoning.⁴⁶

⁴⁴ Ukrayinska Pravda, the online news media founded by Georgiy Gongadze in 2000 keeps a detailed chronicle of the Gongadze case development, in Ukrainian here: <http://www.pravda.com.ua/tags/sprava-gongadze/>

⁴⁵ See for instance, the comments on the case by the head of detective team, Mr. Holomsha here in Ukrainian: <https://www.unian.ua/politics/1000637-golomsha-sprava-pro-otruennya-yuschenka-ne-ruhaetsya.html>

⁴⁶ Most recent update on the case from October 2016 could be found here: <http://www.pravda.com.ua/news/2016/10/7/7122975/>

To sum up, the overall record of de-criminalization and of anti-corruption campaign by the Orange regime was meagre at the very least, compared to the vast amounts of either ill-investigated or stalled cases due to political considerations, including the most prominent ones of Gongadze and Yushchenko himself. Several analysts and historians of the modern Ukraine go as far as to suggest that the Orange leaders with corruption record themselves were not eager to prosecute their enemies for the fear of equally exposing themselves. Leonid Kuchma in his memoirs claimed that the Orange frenzy with “Bandits – Behind Bars!” was a mere show (here as quoted in Kuzio (78, 2015):

“I remember the election speeches of Yushchenko and his team at numerous meetings. Even on television advertisements. They all began and ended with the same thing: the authorities are bandits, away with the authorities! But Yushchenko told me during the presidential campaign: “Do not give it any significance. Do not take it to heart. This is politics.” I did not respond to this but felt that the whole thing was rather comical.”

Whether or not Yushchenko as well as the rest of his Orange camp were serious about implementing the decriminalization and anti-corruption measures or used them merely for the purposes of self-promotion remains open to discussion. What is clear and what bears on to the current research, is that corruption levels remained unchanged. It is likewise important to note that large non-strategic firing moves brought popularity but lacked on-the-ground change in public service for ordinary citizens. And finally, it is significant that the largest and most publicized cases involving major political leaders against whom the Orange revolutionary fought remained unscathed. These pieces of evidence speak to the failure of the Orange regime to bring the government institutions in line with the declared Orange values of decriminalization and anti-corruption fight.

4.3. *Conclusions on Political Transition in 2000-2009*

I started my analysis of the transitional period with an examination of how the early beginnings of this stage were signaled in years preceding the Orange protest movement. This came in the form of the mobilization of a distinctly new group political activists, not rooted or raised in the Sovietized educational establishments. Such protesters came to the fore in the 2000 movement “Ukraine without Kuchma.” Political activists eventually presented themselves for elections as in the new party “Pora.” Thus, the political transition in Ukraine started prior to the revolutionary events themselves, as my analytical framework from Francisco (2000) suggests.

Further, in subsection 4.2 I surveyed the criteria that would define the end of the transition period in the Ukrainian case. I presented evidence demonstrating that the opposition movement subsided and presented no credible threat to the new regime. I noted that wide international recognition for the Orange successors of power was secured at the inauguration, coupled with the pre-existing relations with IMF and World Bank. Nonetheless, a significant piece of the puzzle was still missing to define to the end of the political transition in years of 2005-2009. In order to complete transition, the Orange regime was required to either establish new, functioning institutions of government or reform of the existing institutions bringing them in conformity with new political values. I have shown the Orange leaders failed at this task leaving the country still in the vagaries of transitional stage.

I studied the values that the new regime strove to achieve for new ways for government institutions to work drawn from the materials from the Orange camps’ electoral and post-electoral programs. I identified the three themes that related to the restructuring of the government institutions: optimization of the work and mission of government agencies;

reformed civil service corps; and fighting with corruption. I then investigated the record of the Orange regime reform on these accounts. First, I noted the lack of consistent reform of the Office of the President itself that was apparent with incoherent hiring, training and development strategies. This was the institution that the President was directly familiar with and uniquely responsible for. The lack of reform in this regard is a strong evidence for a failed optimization of the existing government institution in line with the goals of the new Orange leadership.

I also brought on board the second piece of data that showed how the Orange regime was ineffective in putting in practice its commitment to bring optimized government services to the level of ordinary citizens. The weak and unsuccessful performance of public hearings, public monitoring boards and other similar mechanisms that eventually were hijacked as a political public relations tool by the contenting sides in the turf wars between the President and his Prime-Ministers.

Added to that, I provided a detailed survey of the civil service ‘non-change’ or a movement without a progress, as I termed it. Here, I showcased a deeper lack of political will to reform one of the most crucial aspects of the post-Soviet governance in Ukraine: its army of civil servants. I furnished an analysis based on my personal professional experience and the examination of important political initiatives and legislative acts during that time.

Finally, and perhaps most significantly for the Orange voters, the anti-corruption levels in Ukraine during the term of the Orange regime did not decrease. The key ‘bandits’ from the group of corrupted power holders who were to be put behind bars per Orange slogans, were still conducting business as usual. And as my further analysis of the Ukrainian oligarchic interests in later chapters later shows, it continued to have a significant impact on Ukraine’s domestic and foreign policies.

Altogether, I conclude that this important evidence convincingly show that the transition while starting in Ukraine in early 2000 was still proceeding in 2010 when a new president, Viktor Yanukovich, took power. Having analyzed the scope condition of political transition, I now turn my attention to the next operationalized concept in my causal mechanism: the political uncertainty.

Chapter 5

POLITICAL UNCERTAINTY AFTER THE ORANGE REVOLUTION

Political uncertainty is the central concept in the causal mechanism of transition and FP change. Drawing on a cognitivist theoretical perspective, discussed in Chapter 2, I treat uncertainty as an analytical confusion arising from a wealth of information confronting a decision-maker. As a result, he or she is unable to disentangle the causes and consequences of political processes surrounding him/her and his/her own political decisions. In Chapter 3, I underlined that while it is not feasible to observe uncertainty directly, there is an observable variation in the contextual conditions of transition that generate multiple sources and varieties of information that leaders face. Therefore, I use proxy measures that take probe of these transitional conditions and arrive at an estimate of the level of political uncertainty based off the level of complexity of the situations that the decision makers are functioning in. I remind the reader that I derived a simple additive formula of the four variables contributing to political uncertainty (identified by Jung and Deering (2015):

$$\textbf{\textit{Pace of Political Transition + Political Competition + State-Building+ Economic Downturn} \rightarrow \textbf{\textit{Level of Uncertainty}}}$$

I will examine each one of them as applied to the case of Ukraine in 2004-2009 in the following subsections of this chapter. I will also assign each element as HIGH, MODERTE or LOW, with a numerical equivalent of 3, 2, or 1 correspondingly (or 0 in the absence these). I derive an overall score for the level of uncertainty during the Orange term. In the final subsection I will summarize the results.

5.1. *Pace of Political Transition: An Unexpected Revolution?*

In this subsection, I deal with the pace of political transition. As mentioned before, according to Jung and Deering (2015) who build their argument from the theoretical propositions of Shugart (1998), political transitions could proceed either gradually or abruptly. An abrupt transition, according to the authors, leads to higher levels of political uncertainty since the lack of time forces politicians to re-evaluate their political chances in a faster-paced environment. In contrast, a more gradual transition provides an environment where some longer-term options for political behavior could be estimated, thereby lowering uncertainty.

Even though Jung and Deering (2015) apply such reasoning to the institutional design process in democratizing nations, their logic is applicable to my line argument as well: an abrupt, unexpected change places all actors in a situation where very new, previously unanalyzed information becomes suddenly available to decision makers on a number of changed aspects of social and political life. Therefore, in my argument, the increase of new information in abrupt transition is what gives rise to a cognitive uncertainty in decision making process as well. To the contrary, a gradual change allows key actors to better analyze the trajectories of change and possibilities of the development of the political situation, in a way making them analytically more prepared to face a new regime change when it occurs. Thus, I take Jung and Deering (2015) proposition to distinguish between abrupt and gradual pace of the transition and I apply it to my research purposes to abrupt or gradual regime change proper⁴⁷.

⁴⁷ Admittedly, the pace of political transition could be conceptualized as a variable with levels that exhibit more variety than simply 'gradual' or 'abrupt.' In fact, one can surmise that the 'gradual' transition by an inherent logic contained in its own definition imply that states may tend to vary in how quickly they adopt fundamental changes that create a new political order. Matthew Shugart (1998, 16) for instance, for 'gradual transition' cites the examples of Russia, Brazil and Ukraine, the states that clearly show vast differences in their pace of change and the resulting

To see whether regime change in Ukraine was abrupt or gradual, I turn my attention to several observations to help me to discern the pace of the transition. The first one is an estimation of whether the major actors in the process, such as the Orange leaders, the old regime adherents and the wider public were expecting the changes as these developed in time, or whether the victory of the Orange team was not easily predictable. Secondly, I will look at the timeline of events to determine whether the events of the Orange revolution developed in a rather precipitous way, or whether they were more protracted in time thereby giving diverse actors more time to consider options for their political strategies and behavior.

I begin with the civil society activists' views. In my interview with a Pora member, the interviewee related the failures of the "Ukraine without Kuchma!" as a bitter learning experience. After the violent confrontations with the law enforcement and arrests in the March 2001 events, the activists felt defeated in terms of their existing strategies of opposing the regime. There was a clear message from the regime that it was ready to go to any length in terms of physical harm to the activists. The lack of public support from "Kyievlany" or Kyiv dwellers that were the primary group that Mohylyanka was hoping to mobilize was also another disheartening aspect for the protest organizers. In that sense, when transition started in early 2000s, the activists hoped for political and ideological reasons to achieve success, but the

political order. This discussion of the gradual pace in transition intellectually deserves to be placed in the on-going debate of the third-wave democratization (Huntington 1993), its reversal, and the variety of gray-zone cases differently labelled as 'delegative democracy' (O'Donnell 1994), 'competitive authoritarianism' (Levitsky and Way 2002) and so forth.

For the sake of the argument of this research, however, it is not as important at this point to put a right label on the resulting regime (democratic, entrenching authoritarian etc.) as it is to observe how the transition started and ended and within that timeframe to make an assessment of whether its proceedings were abrupt or gradual – in other words, whether regime change was a rather largely unexpected event (abrupt) or whether it has lagged in time over a longer period and the changes consistent with the values of the resulting regime have been under implementation to different degrees prior to the pivotal event of the change of power.

realistic chances and expectations of success were small based on their experience of the previous campaign.

As for the larger public support for the Orange cause, similarly it was far from a given throughout the time of the transition. In spring 2001, when Yushchenko was ousted from the post of Prime Minister as a result of a no confidence vote, he was leaving with a sense of deep professional accomplishment (Yushchenko 2014, 248). He also boasted a soaring approval rating of 29.9% of full support and 27% of partial support, according to the Kyiv-based Razumkov Center surveys.⁴⁸ That public support, however, went down to 23.9% of full support by the end of the year, and was at its lowest in September 2003 at 18.6%. The fluctuation of these ratings was in the range of low 20s % for the most of 2003, and was again, only 19.6% when Yushchenko hit his electoral campaign trail. It grew, however to 27.1% by the time the active stage of the protest was brewing in October 2004. And that was still lower than his initial approval rating leaving the Premier's seat three years prior.

Thus, the Ukrainian public was not uniformly and firmly convinced of Yushchenko's performance throughout the years preceding the outbreak of the Orange events. In fact, David Lane (2008) argues even further showing that not only the Ukrainians at different points in 2003, 2004 and 2005 in their majority were not ready to engage in politically active behavior, but that there was much divisive rather than unitive process in the society surrounding the events of the late fall of 2004.

As for the other prominent actors, Hryhoriy Nemyria, a close ally of Yulia Tymoshenko and a member of her government in 2007- 2010, colorfully characterized the protest events as

⁴⁸ All data from the survey is available in Ukrainian at the Razumkov Centre website: http://old.razumkov.org.ua/ukr/poll.php?poll_id=89

“The Orange Revolution: Explaining the Unexpected.” In his piece for the volume *Democratisation in the European Neighborhood* (2005), he started his analysis of the events by saying that few experts expected or predicted anything of the sort that the Orange revolution was in the Ukrainian context of 2003-2004.

Further, even the leaders of the Orange camp themselves were not calculating the size of the public protest and thus did not adequately prepare for the massive strikes they themselves called for. After Viktor Yushchenko issued a general call for protest on November 21, 2004 to prevent fraud in the elections and on November 22 and 23, there was no appropriate ways to accommodate for the basic needs of food and shelter for the protesters. In the lack of the well-organized infrastructure for the protests, the volunteer movement among Kyievliany and especially a small business supplying food, warm clothes and other items in subzero temperatures gripping the Ukrainian capital in late November – early December of 2004.

Despite the on-going discussion of how much Western meddling and financial ‘sponsorship’ was directed to the Orange leaders and the general organization of the protest movement, prominent researchers of the events underline that overall, the massive unfolding of the Orange revolution throughout Ukraine was largely unexpected to the leaders themselves. “The Yushchenko team weren’t secretly preparing for revolution,” Andrew Wilson contends in his monograph (2005, 123). And Adrian Karatnycky concurs by quoting Yulia Tymoshenko’s own predictions of what was going to happen: “There will be several days of protest, and they will crack down... We are not adequately prepared for this” (2005, 42).

Further, due to the drastic nature of the growing protest and hastiness of the moment, the afore-mentioned agreement on the constitutional reform from December 6, 2004, became a point of multiple regrets for Viktor Yushchenko. On numerous occasions he mentioned that he

was not able to foresee the difficulty that the new redistribution of power between the Parliament, Premier and the Presidential Office would generate for him as a new top executive of the state (Yushchenko 2014, 475–76).

Finally, a relatively short window of time, in which the revolution erupted and subsided is yet another supporting piece of evidence that the transition was abrupt thus shortened the time horizons for the involved actors to elaborate their decision making options. The active stage of the revolution was essentially less than one month: from November 23 when the protests started to December 26 when the rerun of the 2nd round of the presidential election took place. But even then, it was arguably shorter, since the agreement between the parties was reached on December 6, as mentioned above. Beyond that, one may even go as far as to say that November 29 was effectively a turning point of victory for the protesters who secured the support of the Supreme Court of Ukraine when it cancelled the fraudulent results of the 2nd round.

Because the active eruption of the Orange revolution lasted for slightly less than a month in addition to a lack of revolutionary expectations of success, I conclude that the regime change from Kuchma the Orange government was abrupt. Such abrupt pace of the democratic transition will be characterized as HIGH under my classification of the levels for this component of the causal mechanism.⁴⁹

⁴⁹ To clarify, Ukrainian transition indeed was a protracted phenomenon, lasting from 2000 and not complete by the end of Yushchenko's term in office. However, the character of the regime change was abrupt rather than gradual because of none of the fundamental changes needed in order for Ukraine to transition from Kuchmism to a new order were in place prior to the revolution itself, i.e. no efforts to implement the values of the Orange movement were put to practice to reform the existing Kuchma government before to the revolution itself. It is due to the unexpected manner in which the old regime was overcome by Orange protest that such pace could be characterized as abrupt, in my analysis.

5.2. *Political Competition Under President Kuchma: Representation or Mirage?*

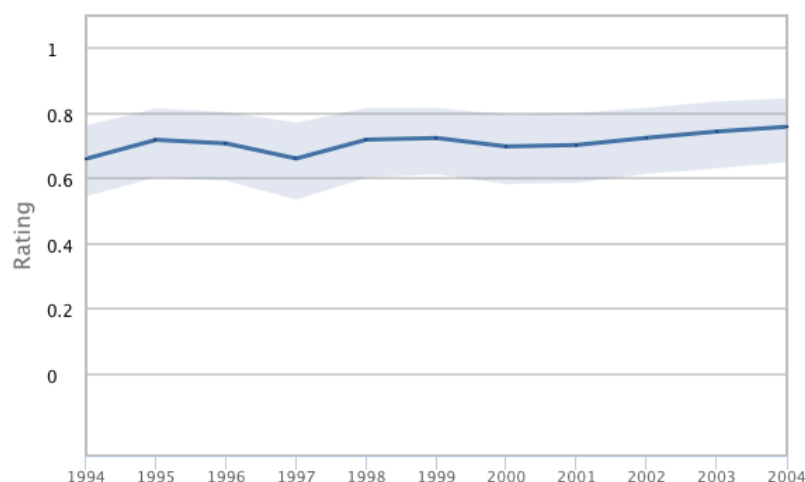
The second element in scoping the political context in which transitions occur, according to Jung and Deering (2015) are estimates of the political competition that existed under the regime prior to the political change. The theoretical reasoning behind such proposition is that the political actors who are engaged in competitive race for elective offices have a better understanding of their own relative electoral support in a changing environment. Such understanding aids them in their ability to better analyze and predict their own political chances from previous public approval track in future. By contrast, if under authoritarian regime political competition is restricted, political actors have less experience to draw on to estimate whether certain policies, issues or ideologies are approved by voters.

In the Ukrainian case, I will take measure of the political competition that existed from the first time when President Kuchma took office in July 1994 until the end of the Orange revolution in December 2004. As specified in Chapter 3, I use Varieties of Democracies dataset that allows me to extract individual indicators and components for my variable of interest, rather than use an aggregate estimate for the democratic standing of Ukraine in the entirety of its political processes. In particular, in order to estimate levels of political competition, I track the Freedom of Association Index from this dataset.⁵⁰

The following graph summarizes this index' levels, with confidence intervals, on the scale from 0 to 1, where 0 describes no freedom of association and 1 refers to the full freedom of association:

⁵⁰ Description of indicators and levels of measurement are included in the appendix as well as available online at www.v-dem.net.

Figure 5.1. Ukraine's Freedom of Association Index, 1994-2004

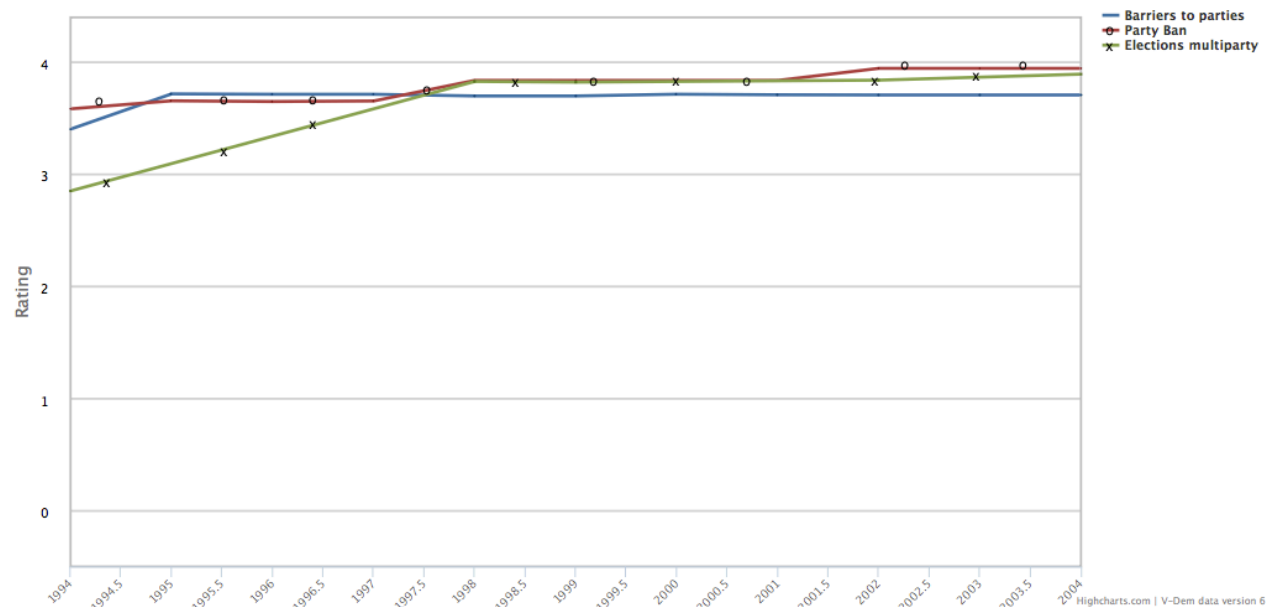


If I were to paint the picture of the Ukrainian political competition under Kuchma regime solely relying on this one indicator, then we may easily conclude that no significant changes occurred during his tenure as far as the political life of parties and civil society organizations are concerned. In fact, towards the end of his tenure in the Presidential Office, the freedom of association increased, as shown by the curve on the graph, approaching 0.8.

This index, however, is a composite score of several constituting measures, and if traced individually, they tell us a slightly different story. Take, for instance, such component of the index as the official *ban on political parties*. Indeed, on one hand, there was, in fact, no ban on political parties after the Communist Party of Ukraine was officially reinstated to its political rights in 1993, a year prior to Leonid Kuchma taking office. Hence, Ukraine measured almost a perfect 4 (no ban on parties) score on that account by the end of Kuchma's term. Likewise, if we are to look at the administrative *barriers for parties* to form, Ukraine's record from 1994 to 2004 (with the Communist party re-entering the political life in 1993-1994) remains largely solid at 3.7 points out of a 4-point scale (where 0 means parties are not allowed, and 4 means

that there are no substantial administrative barriers to forming a party) as shown in the graph below:

Figure 5.2. Components of the Freedom of Association Index (1) for Ukraine, 1994-2004



Similarly, not only were the parties not banned and administratively found it easy to form, but the consecutive parliamentary elections in Ukraine showcased a growing number of them participating in competitive race for offices, as the figure above demonstrates.

And yet, the Ukrainian story of political competition during Kuchma years is far from being that simple. In fact, if one does not look closer at the political processes that were taking place in this developing party system during the selected time period, one risks missing an important piece evidence to the contrary. Political competition during that time even if nominally was put in practice Ukraine, in effect was a mechanism for Kuchma to manipulate democratic election processes and maintain the authoritarian control by the executive over the legislative branch.

When Leonid Kuchma took on the Presidential Office, the Ukrainian electoral system was a compilation of disarrayed rules. The majoritarian run-off formula used in 1994 elections, for instance, left 57 districts completely without a representative (by August 1994 estimates). Seeking to correct incongruities of such system, the new Rada was in favor of elaborating a new law to replace the Law of Ukraine on the Election of People's Deputies from November 18, 1993. In its political struggle with growing powers of the executive, it finally reached a Constitutional Agreement in June 1995 that the future electoral system will be mixed, allowing for both parties and individual representatives to compete.

But it took an uphill battle between the Rada and the President over 13 hearing attempts on the draft law for it to finally be adopted in October 1997. The Law instituted that 450 parliamentary seats were to be divided into 225 plurality districts and another half to be contested through list proportional representation with a 4 % threshold. This threshold reduced the number of parties from 30 competitors to 8 winners, but left a total of 24% of votes unrepresented because of their preference for parties that did not manage to overcome the threshold. In all, by some estimates close to 15 million votes were left unrepresented after the parliamentary elections of 1998 (Shveda n.d.).

What the Law of 1997 did encourage was the further multiplication of new parties that now could be controlled without much public involvement, since the law also mandated a closed party list. Several parties were specifically created to carry - Trojan horse-style - the presidential agenda into Rada, including for instance the National Democratic Party of Ukraine (NDU) and the reformatted Social Democratic Party of Ukraine, United (SDPU (o)). Overall, from the time of the consensus around the Constitutional Agreement emerged until the Law of

1998 lost its force in 2001, sixty-three currently existing parties were originally registered.

These 63 parties constitute 34% of the total number of parties in present day Ukraine.⁵¹

Whereas such proliferation may project a sign of vibrancy of the developing party system in Ukraine, the resulting political outcome, paradoxically, testified to the increased executive dominance. Thus, under mixed member system, even though the opposition forces collectively received 53,7% of votes, and pro-Kuchma parties (NDP and SDPU(o)) got only 9.02%, the parliamentary majority that eventually was formed in Verkhovna Rada was distinctly pro-presidential.⁵² This became possible due to many techniques of cooptation and sometimes threat. It was also because single-member district winners, accountable to their votes and seeking perspectives of re-election, were not capable deliver any “pork” or special projects for their respective districts, unless they cooperated with the regime in the heavily controlled Kuchma system.

Such weakened legislative influence over the political process spurred Rada to reconsider the Law on Election in 2001-2002. While the majority of Rada blocs were in favor of fully proportional system, the parliament of Ukraine kept adopting diverse legislative acts that the President vetoed. He, understandably, was in favor of the mixed system that had allowed him up until then to both control the single constituency candidates and to run party business according to his agenda due to the influence over the closed party list. The resulting compromise was almost the identical mixed system with a 4% threshold in the Law on Election from March 31, 2002. Similarly to 1998 elections then, in 2002 SDPU(o) and “For a United

⁵¹ Per data available at the official registration site of the Ministry of Justice of Ukraine, accessed on May 4, 2017 at <http://old.minjust.gov.ua/31094>.

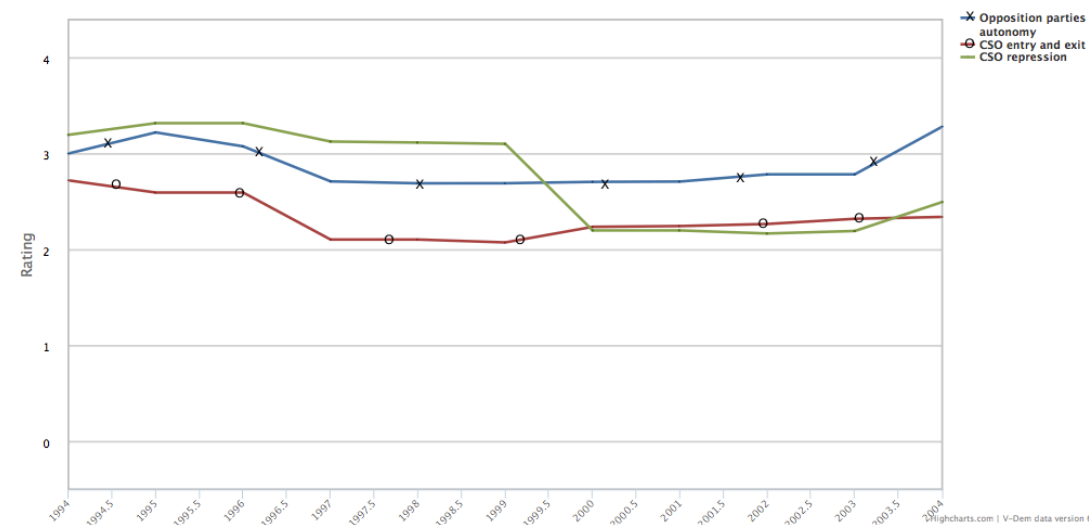
⁵² The official results of the elections are available at: <http://www.cvk.gov.ua/>

Ukraine,” a new party loyal to the President, collectively received only 18.94%, whereas the opposition parties obtained 57.68% of votes, yet again, the parliamentary majority that emerged was pro-incumbent.

Thus, with no ban and little administrative obstruction to the formation of new parties, we see parties emerge and disappear on the political horizon on Ukrainian party system very rapidly during these years. But, the freedom of association under Kuchma also served as vehicle for the political actors with vested interests to promote their influence at the expense of particular election system in Ukraine.

This is further confirmed by the following consideration of other components from the Freedom of Association Index of the Varieties of Democracies dataset for that time.

Figure 5.3. Components of the Freedom of Association Index (2)
for Ukraine, 1994-2004



As Figure 5.3 shows, the opposition parties in Ukraine were far from being fully independent (perfect score of 4) from the cooptation by the ruling regime. Hovering above the

score of 2, this component measure indicates that only some opposition parties were autonomous. And knowing the Ukrainian context I could go into further detail of which parties and how were coopted by the regime. But for the reasons of brevity for the moment I refer the reader to the episodes of Kuchma dominance over parliament described above, as well as to the work of prominent scholars of the Ukrainian party system, such as Erik Herron (2005, 2002, 2007) for further detail.

Further, the scores of civil society organizations (CSO) entry and exit as well as level of CSO repression underscore what Levitsky and Way (2002) would describe as ‘competitive authoritarianism.’ In competitive authoritarianism, the regime both allows a degree of political competition on one hand, yet monitors and manages the role and work of parties and CSOs on the other. I observe a gradual decline in CSO’s ability to function due to repression by the government throughout the first several years of Kuchma’s presidency, and a sharp worsening of the situation in 1999 and 2000 when Georgiy Gongadze and other Kuchma opponents raised alarm to his authoritarian tendencies. After that, CSO repression was moderate (an average of 2.2), which indicates that in addition to material sanctions, the government engaged in legal harassment (detentions, etc.) or other administrative means (blocking local or international partnerships, etc.). Indeed, this score corresponds well with the story of the protest movement and government repression that I delineated earlier in this chapter.

In summary, while Ukraine’s overall score on the Freedom Association Index remained moderately high and stable (an average of 0.74 on a 0 to 1 scale), the outcome of the electoral system changes made a political competition in practice more restricted than such record may indicate. Newly formed political parties and single-member district representatives were quickly coopted or coerced to cooperate with the regime, leaving them far from being fully autonomous.

The civil society under Leonid Kuchma's second term faced intimidation and harassment, in addition to the persecution of Kuchma's political opponents, including Yulia Tymoshenko and Viktor Yushchenko among others, and of CSO representatives, such as Gongadze. Kuchma regime regularly monitored and intimidated CSO engaged in political activism.

Such mixed record of political competition in Ukraine before 2004 is more akin to a mirage in terms of policy representation of the Ukrainian citizens. In fact, frequently during that time the elected parties and representatives switched their ideological and policy positions caving in under the pressure from the executive on Rada.⁵³ Therefore, on one hand the Ukrainian political elites had experience in competing for offices and gauging their individual and party support by the Ukrainian voters. On the other hand, an amount of repression from the executive branch significantly hampered the political actor's clarity as to possible compromises under Kuchma's presidency. Therefore, I assign MODERATE (a score of 2 points) for the level of my component of Political Competition in the model that estimates the transitional uncertainty.

5.3 State Building after the Orange Revolution: High-Stake Battles for Institutional Changes

In this subsection, I undertake a deeper analysis of the state building processes⁵⁴ that were under way in Ukraine from 2004 to 2010. The importance of this component that

⁵³ More on the types of representation (descriptive, electoral and policy) could be found in Soroka and Wlezein (2010), whereas an interesting discussion of "promiscuous power sharing" in developing democracies is further analyzed by Slater and Simmons (2013).

⁵⁴ Jung and Deering (2015, 64) use "state building" in the meaning of institutional design and institution building, which aims to "establish a wide array of political and economic institutions" for state governance. Hence, I use state building and institution building interchangeably in this project.

contributes to transitional uncertainty, according to Jung and Deering (2015, 64) comes to the fore when treated in conjunction with another concurrent process - democratization. In the words of the authors, uncertainty “will be much higher where democratization coincides with state building, than in cases without this additional burden.”

In line with Jung and Deering’s argument, but more adapted to my model of political uncertainty where its components are described in levels of HIGH, MODERATE, LOW and NONE, I posit that the coincidence of state building and democratization is going to contribute to HIGH levels to transitional uncertainty. Conversely, the absence of both democratization and state building will have no effect on uncertainty. Between these, the levels of uncertainty can be estimated by how the levels of democratization and state building combine in the matrix shown below. Here, the cells adjacent to HIGH (e.g. SOME state building and LARGE democratization) translate into MODERATE levels of uncertainty. The absence of either state building efforts or democratization contributes to LOW levels of democracy.

Table 5.1. Transitional Uncertainty Levels from State-Building and Democratization

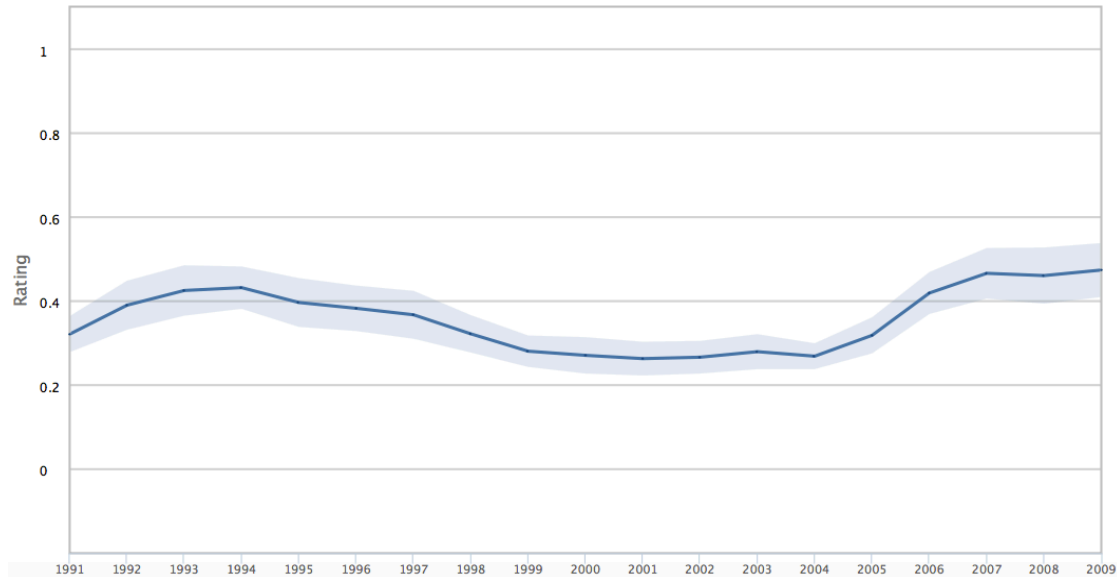
		Democratization		
		<i>Large</i>	<i>Some</i>	<i>None</i>
State Building	Large	<i>HIGH - 3</i>	<i>MODERATE - 2</i>	<i>LOW - 1</i>
	<i>Some</i>	<i>MODERATE - 2</i>	<i>MODERATE - 2</i>	<i>LOW - 1</i>
	<i>None</i>	<i>LOW - 1</i>	<i>LOW - 1</i>	<i>NONE - 0</i>

As for democratization, I define LARGE democratization as a year-to-year change in democracy index score at any point in the studied period (2005-2009) that is greater than any such change in previous recent time (1991-2004). I define SOME democratization as change in

a year-to year democracy index score that at no point over the studied period (2005-2009) is greater than the greatest year-to-year change in the previous recent period (1991-2004). Here, by “change” I mean numerically positive rise in the index value. In other words, on the index scale from 0 to 1 (where 1 is a full democracy in the Varieties of Democracies dataset), it is a change in the direction from 0 to 1, since democratization is an increase in that direction.

According to such operationalization, I can estimate the level of democratization in Ukraine in 2004-2010 from the Varieties of Democracies dataset looking at how the index for Liberal Democracy changed in this country from 1991 to 2009 - from the time Ukraine became a sovereign state to the end of the Orange revolution regime term. The following figure summarizes the fluctuation in this index graphically:

Figure 5.4. Liberal Democracy Index for Ukraine, 1991-2009



More specifically, in the period of the Yushchenko’s tenure in office, from 2004 to 2009, the Liberal Democracy index grew by 0.197 from being at 0.268 in 2004 to 0.465 by the

end of 2009. Any other similar period of change in the levels of this index is observed from 1991 until Leonid Kuchma took power in Presidential Office in 1994, from 0.320 to 0.431. However, the magnitude of the change in 1991-1994 period is equal to 0.111, which is smaller than the change during the Orange team regime. Therefore, the democratization in this period under study is to be characterized as LARGE in terms of its change from 2004 to 2009.

As for the state building, likewise I need clear posts as to what would constitute larger or smaller progress in this process. Here, I am guided by Arend Lijphart's (1999, 2012) five characteristics of the arrangement of executive power, party system and interest groups. These characteristics make what Lijphart terms as "executive-parties" dimension, a dichotomous contrast between majoritarian and consensus models of democracies. The five characteristics are as follows:

1. Concentration of executive power in single-party majority cabinet versus executive power-sharing in broad multiparty coalitions.
2. Executive-legislative relationships in which the executive is dominant versus executive-legislative balance of power.
3. Two-party versus multiparty systems.
4. Majoritarian and disproportional electoral systems versus proportional representation.
5. Pluralist interest group systems with free-for-all competition among groups versus coordinated and "corporatist" interest group systems aimed at compromise and concentration.

These five characteristics are useful for my estimation of state building efforts since they describe the core foundational institutions that need to be established for a democratic state to 'work.' Admittedly, Lijphart singles out these five characteristics in order to describe "patterns

of democracies” in states that have been democratic for more than twenty years. I take his theoretical propositions and adjust them to my analysis. I am able to do so for two important reasons. First, these five characteristics in Lijphart treatment are “all variables on which particular countries may be at either end of the continuum or anywhere in between.”⁵⁵

Therefore, such approach allows me to theoretically conceive of a gradation and a possible position change by a transitioning country along the vectors of any of these five components.

Secondly, the five characteristics of democratic arrangement of the state institutions are applicable to transitioning Ukraine since I am dealing here with democratization combined with state building. Therefore, a change of position along the executive-party dimension is applicable to a transitional state that is attempting to structure its governing relations according to a democratic pattern.⁵⁶

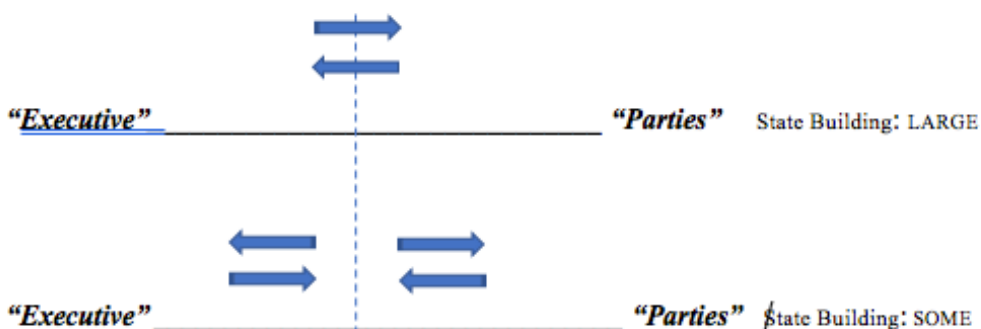
⁵⁵ Arendt Lijphart also distinguishes another important dimension on which institutional arrangements in a state could be characterized by: federal-unitary dimension. Whereas it is theoretically relevant to the transitioning states to decipher the five characteristics that make this dimension – unitary vs centralized government; unicameral vs. bicameral legislature; flexible to change vs. rigid constitutions; presence or absence of judicial review; and the level of dependency of central banks on executive – Ukraine in the period of 2004-2014 did actively experiment with any changes on this dimension. But it is theoretically conceivable that these may apply to other states undergoing transition, as is for instance the case of Ukraine after Euromaidan revolution of 2014 where decentralization, independence of the central bank and bicameral legislature discussions and reforms are undergoing. Similar to executive-party dimension, then other research dealing with transitional state building may use an additional rubric on federal-unitary dimension to give a full picture of how a given country has moved in one or another direction on this dimension. The analytical framework in Figure 5.5. could also be applied to determine how large such state building efforts are.

⁵⁶ At this point it is important to reflect on other theoretical possibilities in which state-building and democratization may or may not occur in a transitioning state. Consider, for instance, a transitioning state in which state building occurs without democratization. In other words, it may be a transition to a new regime that is growing in its authoritarian practices and actively rearranging state institutions at the same time to fit its new values; or a regime that has a democratization record at the same levels as the one it has replaced, but moving slowly in state-building projects etc. In either of these scenarios or other combinations of democratization and state-building records, Table 4.3 will help an analyst to determine whether uncertainty is high, low or moderate in such situations. The five characteristics are conceptually relevant since states still aspire to build state that would resemble democratic characteristics, with the exception of cases when transition takes place from one kind of authoritarian rule to another (e.g. monarchy to theocracy etc.). Otherwise, Lijphart’s characteristics are still useful. Consider, for instance, a new regime that is not democratizing (democratization = NONE) that may decide to consolidate executive powers over legislature and eliminate multi-party system. These changes then can still be analyzed against the five characteristics of Lijphart to determine the level of state-building (e.g. state building = LARGE) and get a score of 1 in terms of the impact on transitional uncertainty, according to Table 4.3. The theoretical principle at work here is that it is the

Lijphart (1999, 2012) executes a quantitative analysis of the thirty-six states reducing their ten-year record on these characteristics to a summarized comparison. But since I do not pursue comparison between states in the current research and without the same quantitative data available, I reserve the quantitative analysis of Ukraine's state building efforts for my future research. For now, I will provide a qualitative examination on how much the Ukrainian political system shifted on each of the characteristics.

Thus, adapting Lijphart's framework, if I observe a change on this executive-party dimension from being on one side to shifting to be predominantly on the other side of the spectrum, then I consider the State Building efforts to be LARGE (a score of 2). If the change happens largely towards the consolidation of the institutional arrangement solidifying the existing position (i.e. moving a state that is already on the "executive" side of the spectrum towards further "executive" end of the dimension), then the State Building efforts could be deemed as SOME (a score of 1). Similarly, if such change constitutes a move towards the opposite end but without crossing it to be more "executive" vs "party" divide, then the state building efforts are moderate as well. This could be graphically presented as follows:

Figure 5.5. Executive-Parties Dimension Shifts and State Building Levels



combination or both democratization and state-building that makes transitional uncertainty higher or lower, per Jung and Deering (2015).

In other words, it is the change in the position relative to one spectrum vs. another that determines the magnitude of the state building efforts.⁵⁷ The theoretical reasoning behind this is tightly linked to my cognitivist treatment of uncertainty. Indeed, if a decision maker considers new information in an already familiar institutional setup, then previous experience with such setup is available to him/her bringing more clarity in the decision-making process. If, however, a new layer of information about a different institutional setup is included in the calculation of decision making options (e.g., now the system is more “parties-” oriented rather than “executive”), then the informational flow is larger and possible outcomes of one’s decisions are analytically more obscure.

Hence, I proceed to examine the state building efforts in Ukraine in 2004-2009 under the Orange leadership studying the country’s institutional setup at the beginning of this period, in 2004 and compare it to the setup by the end of 2009, looking at five characteristics presented above.

Similar to Lijphart, I start with the analysis of the number of parties in the electoral system in Ukraine over the selected time period (characteristic 3). Following the formula by Laakso and Taagepera (1979) that Lijphart uses for his research, where the reciprocal is taken of the sum of the squared proportion of received votes by parties, I use the data collected by

⁵⁷ It is possible to argue that not only the direction of the change, but also the distance between the starting point and the end (the size of the arrow) is of essence in order to distinguish whether state building efforts were HIGH or SOME. However, without precise quantitative measures, it would not be possible to make such estimation. Since my analysis here is focused on the qualitative analysis of the major thrust of change, I will use the direction of the change only at this point, since it is consistent with the cognitive approach to decision making taken here, leaving quantitative elaboration to future research.

Michael Gallagher on the effective number of parties at the electoral level (ENP).⁵⁸ The effective numbers of parties for Ukraine for the selected period, thus are as follows:

Table 5.2. *Effective Number of Parties for Ukraine at the electoral level, 2002-2007*

Year	ENP
2002	6.98
2006	5.17
2007	3.85

What we see from this table is that Ukraine, having introduced the fully proportional party list system with a 4% threshold, moved from a proliferation of parties during Kuchma tenure with an effective number of 6.98 in 2002 to 3.85 in the snap parliamentary elections of 2007. Hence, technically speaking, even though still firmly multiparty Ukraine moved closer to a smaller ENP on this characteristic. However, this change in number should be taken with much caution in as far as the move on this vector, since the independents were not allowed to compete and the elimination of single-member district races constrained very small party groups from entering the race as well. Thus, the change in this number is less of a reflection of the actual decrease in political parties in Ukraine as it is of the ability of the political system to provide political space for less numerous political groupings⁵⁹.

As for the concentration of executive power in single-party majority cabinet versus broad multiparty coalitions (characteristic 1), Ukraine moved in the same direction in this regard, during the Orange years of 2005-2009. To start off, under President Kuchma, there were

⁵⁸ This data is available at:
www.tcd.ie/Political_Science/staff/michael_gallagher/ElSystems/Docts/ElectionIndices.pdf

⁵⁹ I thank Erik Herron for this important observation.

seven Cabinets of Ministers. Coming out of the early 1990s, the Cabinet of Ministers largely functioned under the Soviet system of law until Ukraine adopted its Constitution in 1996. But it was not until 2000, that the Law of the Ukrainian Socialist Republic of 1978 was finally supplemented by the Temporary Provisions on the Work of the Cabinet of Ministers of Ukraine, and finally abolished by the Law on the Cabinet of Ministers of Ukraine in December 2006. Hence, under this disarray of outdated legal provisions, the Cabinet of Ministers did not necessarily function as a parliamentary coalition-formed body normally would in more advanced democratic states.

For instance, when Leonid Kuchma took over, he ‘inherited’ the Cabinet of Ministers headed by Vitaliy Mosul, with whom he had difficulty agreeing on a set of market reforms. With no clear mechanism of firing and resignation of Prime Ministers, President Kuchma finally sent Mosul “on vacation” (or “u vidpustku”) by a presidential order. Then Rada sent Mosul “on retirement” by its own resolution shortly thereafter. In the same vein, in the absence of the clear demarcation of constitutional norms and prerogatives between Rada and the President, the subsequent Prime-Minister, Yevhen Marchuk was not only a head of the Cabinet of Minister, but he also ran for a single-member district seat several months after his appointment, and a year after that, in 1996, he emerged as a leader of a parliamentary faction, in addition to holding a Prime Ministerial position.

In other words, the relationships between the Cabinet, the Parliament and the Presidential office in the 1990s were not as straight as in Lijphart’s conceptualization suggested for democracies: elections-→ coalition-→cabinet, but exhibited reversed and convoluted processes. Finally, after the legal system stabilized with the adoption of the Constitution of Ukraine of 1996, as well as a range of new laws regulating these relations and functions, the

first registered coalition agreement in Rada appeared on September 27, 2002, about two years prior to the Orange revolution. This coalition agreement was signed by ten parties and blocs, as well as non-affiliated members of the parliament. Hence, if estimated against the first characteristic on Lijphart's executive-parties dimension, this record on Ukraine's part was far cry from "one-party" coalition. And the cabinet that was subsequently formed was also a result of a consensus and an equilibrium between the appointees of the coalition party-signees and the so called "quota of the President."

After the Orange revolution, this practice of coalition agreements continued, albeit in a modified form. Following spring elections to Rada in 2006, on June 22 three Orange camp parties signed the minimal winning coalition. However, it lasted a little over two weeks and fell apart. The Socialist Party switched sides and signed a new coalition agreement with the Party of Regions and the Communist Party. In this way, the Socialist party solidified the majority of votes with the Party of Regions, a frontrunner and a largest seat winner in the elections. Hence, a new majority coalition was formed on July 7, 2006. It formed a new Cabinet with Victor Yanukovich as Prime Ministers a month later.

This movement along the executive-party dimension from broad multi-party coalition toward the concentration of executive power in the hands of a single party majority that we see from 2002 to 2006 continued at even deeper levels after the snap elections of 2007. About three years after the revolution, on November 29, 2007 the Orange forces finally signed a coalition agreement. It followed a tumultuous short premiership of Yulia Tymoshenko in 2005 and a difficult cohabitation of the Orange president and the Blue Prime-minister in 2006 and 2007. Yet, this was as close to single party rule as Ukraine came in its modern history. There were 227 signatories, one vote over the necessary majority of 226. The Orange coalition, however, was

not very stable and faced the Party of Regions with 175 seats and the Communists with 27 deputies, a total of 202 sets. That left the Orange coalition insecure without the backing of another smaller party. Just two and a half weeks later, a new coalition agreement was signed between Nasha Ukrayina (Viktor Yushchenko's party), Batkivshchyna (Yulia Tymoshenko's party) and the Bloc of Lytvyn (named after its leader, Volodymyr Lytvyn).

In sum, during the Orange presidential term, the Ukrainian political system moved from a multi-party coalition formed in the Parliament in 2002 to a more numerically consolidated coalition of two or three parties. This was indubitably due to the change in the electoral system to fully proportional representation. Such important reconfiguration put Ukraine closer to the “single-party majority cabinet” end on the first characteristic as opposed to the previous multi-party coalition governments under President Kuchma.

A significant shift also occurred in Ukraine as regards to the second characteristic singled out by Lijphart on the executive-parties dimension. As I have previously elaborated, the semi-presidential system of government that solidified in Ukraine during Kuchma's regime was renegotiated in December 2004 in the heat of the Orange revolution. The new arrangement of powers took significant prerogatives away from the President and moved them to the Parliament. These changes took force in 2006. The presidential authority was very limited to only being able to bring to the consideration of Rada the candidacy of the Prime-Minister. The coalition of parliamentary majority submitted the Prime-Minister candidacy to the President. Once the Prime Minister was appointed by Rada, according to these new constitutional changes, Prime Minister formed his/her own Cabinet, with the exception of the Minister of Defense, Minister of Foreign Affairs and the Head of the Security Service of Ukraine, which were left to

the Presidential prerogatives. The Cabinet was to be officially appointed and dismissed by Rada.

In practice, what it meant for the work of the government, is that since 2006 it was the Prime Minister who had powers of forming new institutions, reforming or liquidating the existing ones and the President had no oversight over these processes. If previously President Kuchma could cancel acts and ordinances issued by the Cabinet, President Yushchenko could only stop them by bringing into question their constitutionality through the submission of the corresponding plea to the Constitutional Court of Ukraine.

Viktor Yushchenko in his rocky cohabitation with Viktor Yanukovych, and then no less problematic power struggle with his political competitor from the Orange camp, Yulia Tymoshenko, filed dozens of complaints with the Constitutional Court that took months to consider them. In response, the President attempted to reform the Court albeit without success (Nayem and Leshchenko 2007). By the end of 2006, Rada overcame a Presidential veto and adopted a new Law on the Cabinet of Ministers of Ukraine. Yushchenko opposed this law since it would strip him of powers to propose the candidacy of the Prime Minister, and two other ministers as it had been previously established (Yushchenko Turns to Constitutional Court re the Law of Cabinet of Ministers 2007). Not satisfied with such outcome, Yushchenko picked a battle against the Constitutional Court in 2007 by forcing three judges to resign from their duties and calling into question the legitimacy of the Court. He entrusted the General Persecutors' Office a mission to evaluate Court's activities for alleged conflict of interest.

The climax of such sharpened edges between the branches of power became an attempt by Yulia Tymoshenko and Viktor Yanukovych to secretly join forces in order to push through Rada a new constitutional change that would not only weaken the Presidential authority. The

change would see the President voted into Office by Rada, rather than national elections.

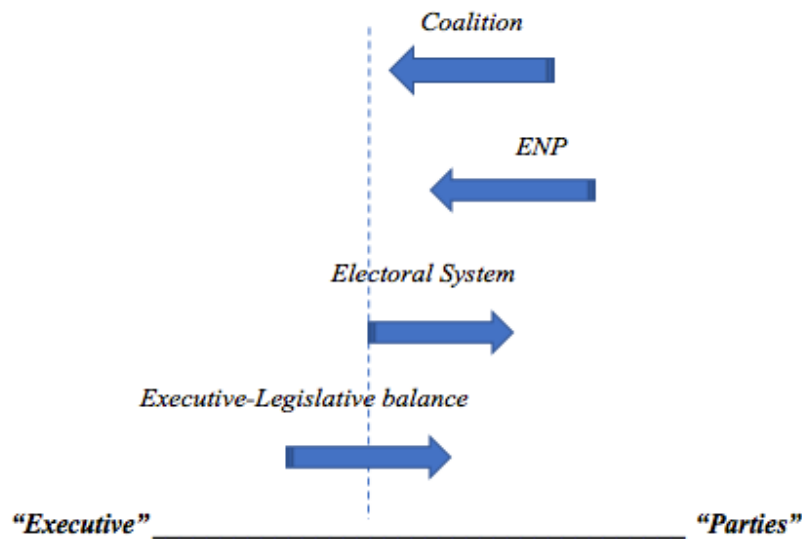
However, the exposure of this secret document left a bitter foretaste with the Ukrainian voters who were about to cast a presidential ballot the following year and who viewed Yulia Tymoshenko and Viktor Yanukovich as ideological opponents, not secret allies.

In sum, these excerpts from the Ukrainian political life exemplify, however fragmentarily, a general thrust of changes from a continuously weakened Presidential institution to a more strengthened legislative branch. Viktor Yushchenko himself later acknowledged in his memoirs the inability to achieve many important electoral goals due to the reconfiguration of powers in favor of the Parliament (Yushchenko 2014, 475–76).

Finally, as for the fifth characteristic in Lijphart executive-parties dimension, the system of interest groups in Ukraine is neither pluralist nor necessarily corporatist. In fact, due to the oligarchic influences on the Ukrainian politics that fused political, financial and media resources in conglomerates of power, such system is far from the democratic patterns that Lijphart detects in his thirty-six countries of study. There were calls of disaggregating political and oligarchic control of power in the Orange slogans and government programs, but such separation was never implemented. I discuss this in more detail in the following Chapter where I analyze the domestic party substitutes' interests that led to a specific set of foreign policy options that the Ukrainian political leaders had to consider.

Summarily, the characteristics that made “executive-party” dimension in Ukraine in these years could be presented as follows.

Figure 5.6. Ukrainian State Building, 2004-2009



As we see from Figure 5.6, there was a significant movement on different characteristics of the executive-party dimension of the political system in Ukraine, especially as regards electoral system and executive-legislative balance. I argue that these changes pulled the state to being closer to the “parties” pole, thereby shifting Ukraine’s position more firmly across the threshold into this direction.⁶⁰ This, according to my classification presented in Figure 5.4 could be characterized as LARGE state building efforts for Ukraine in 2004-2009.

Taking values on the scale of democratization and state building as being LARGE during the Orange presidency years of 2004-2009, I conclude that these two processes in such combination contributed to HIGH levels to the transitional uncertainty in Ukraine (a score of 3).

⁶⁰ Whereas I do not operate with precise quantitative estimations in this model that would allow to point the exact magnitude of change by assigning specific weights to different characteristic, this could foreseeably be another direction to explore for future research. At this point, I look at large patterns in place to identify a predominant effect of a change in qualitative, descriptive terms.

Having thus estimated the pace of political transition (ABRUPT - 3), the level of prior political competition (MODERATE – 2 points), and the scale of state building (LARGE -3), I now turn to examining how the final component of economic downturn contributed to the level of uncertainty during the Orange regime years of 2004-2009.

5.4. *Economic Downturn: An Assessment of the Orange Government Years*

The last component that contributes to the levels of transitional uncertainty, according to Jung and Deering (2015), is connected to the economic performance of the country. To be more precise, the authors posit that uncertainty “will be higher” if the country faces “severe economic downturn” (ibid, 64). More specifically, they operationalize this variable by looking at the rate of growth of GDP per capita summarized in three-year data points. Since they deal only with country-year data points, the numerical estimate for their dataset is derived from a three-year average for the year prior to the regime change. Such three –year average, according to the authors allows both to avoid a problem of missing data and to get a more accurate estimate since such countries “tend to experience highly fluctuating economies year by year.”⁶¹

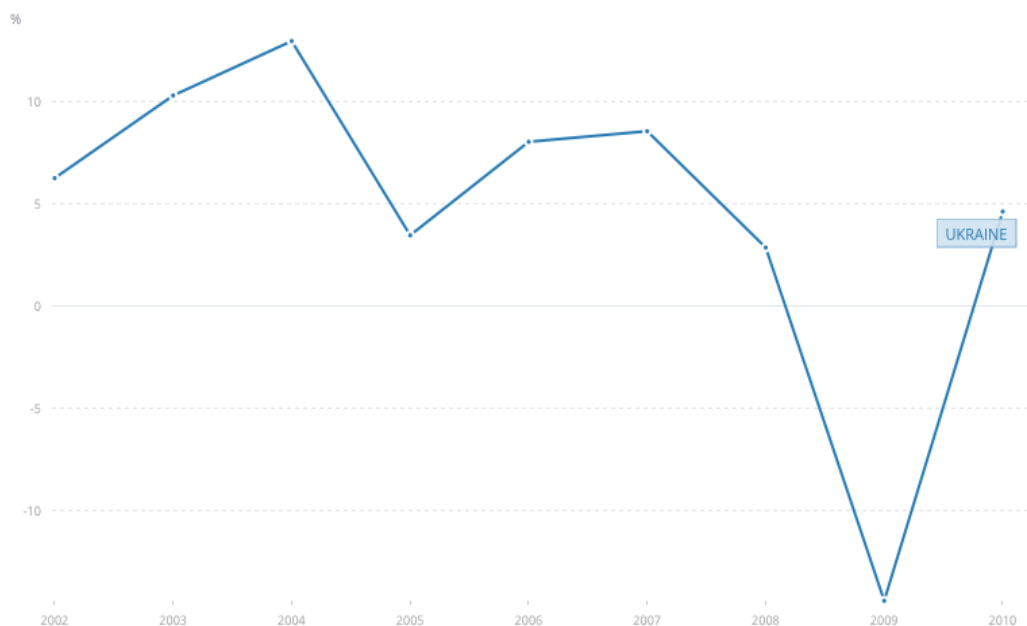
Although Jung and Deering (2015) stop in their measurement of the economic performance to the year prior to the transition, analytically it is important to consider GDP measures over the whole period during which I examine other components contributing to

⁶¹ As for the correlation of economic performance and democratic regimes, there is a long-standing discussion on the causal direction and effect of these two variables. For a start, see Przeworski (2004); Boix and Stokes (2003); and Ross (2006). Acknowledging this debate in comparative literature, I analyze the economic factors as they have their own independent effect on transitional uncertainty following the operationalization principles from Jung and Deering (2015).

uncertainty throughout the transition period. This also is consistent with my cognitive conceptualization of uncertainty, where information about economic data for a decision maker does not stop to enter into the decision making process at a particular point (i.e. a year of the transition only), but rather is available in its complexity throughout the time of a leader's tenure.

Therefore, I draw data on Ukraine's GDP growth rate per capita from World Bank economic databank, graphically summarized as follows:

Figure 5.7. Ukraine's GDP growth per capita, 2002-2010



Source: World Bank Data

Having aggregated this data in three-year periods, I derive the following set of numbers presented in comparative terms for the same time period:

Table 5.3. Three-year averages of GDP growth rates per capita, 2002-2010

	<i>Ukraine</i>	<i>Europe and Central Asia</i>	<i>Lower middle income states</i>	<i>Upper middle income states</i>	<i>World</i>
2002-2004	9.832	2.03	4.467	4.959	1.876
2005-2007	6.676	3.112	5.398	7.415	2.874
2008-2010	-2.317	- 0.695	4.126	4.256	0.259

Source: World Bank Data

As we see from the table above, Ukraine entered the transition period with comparatively high growth rate, overtaking its regional average by over 7% and likewise being far ahead of the countries in a similar economic grouping (lower middle income, by World Bank designation). The first three years of the Orange regime such growth somewhat abated, dropping by almost one third from the previous average. However, it was still comparatively twice the size of the average for the region and 1.278% higher than states in a similar economic condition, coming close to the levels of growth exhibited by upper and middle income states for the same time period. However, the following three years were extremely hard for the Ukrainian economy.

As the global financial crisis hit economies around the world, with a world GDP per capita growth rate dropping to an average of meager 0.259%, lower and middle income states sustained smaller losses in comparison to upper and middle income states. Europe and Central Asia were affected more than any of these categories, with their GDP rate of growth per capita going to the subzero estimates. Ukraine, in this crisis underwent one of the worst economic episodes in its modern history. Starting comfortably at 8.55% growth rate per capita in 2007, it measured -14.42%, a drop of 22.967 points. These rapid fluctuations of economic performance

put Ukrainian leaders, already faced with significant democratic and state building challenges in yet further precarious position when it came to making decisions about important domestic and foreign policies. I characterize such economic downturn as SEVERE (3 points) since it the informational flow from such drastically changed economic conditions imposed a considerable strain on decision makers considering their course of action domestically and internationally.

5.5. *Transitional Uncertainty: A Summary Assessment*

At the beginning of this chapter I have reiterated the model to estimate the level of transitional uncertainty. I proposed to look at several factors that contribute to the complexity of social and political processes taking place during the regime change. I also pointed out that I would not be able to directly observe and test the levels of uncertainty that political decision makers were operating under. Instead, I relied on Jung and Deering's factors that contribute to uncertainty to measure by proxy the levels of this component of the causal mechanism. To encapsulate, I devised the theoretical model that describes the levels of uncertainty as follows:

Pace of Political Transition + Political Competition + State-Building+ Economic Downturn → Level of Uncertainty

Having looked closely at each of these factors, I have determined that the *pace of political transition* in Ukraine connected with the Orange revolution was HIGH due to the abrupt and unexpected developments with the regime change. The political competition that existed prior to the regime change, during Leonid Kuchma's presidency was MODERATE. As democratization was LARGE in Ukraine during the initial Orange government years, it also combined with LARGE scale state building processes, yielding a HIGH score for the level of

this factor. Finally, Ukrainian economic performance steadily declined and then dropped greatly due to the world financial crisis of 2008, resulting in HIGH economic downturn for this country.

Put together, these scores yield the following assessment of the level of transitional uncertainty in Ukraine:

Level of Transitional Uncertainty in Ukraine, 2001-2009

3 + 2 + 3 + 3 = 11 (out of 12) → HIGH

In this Chapter, I gave a thorough treatment to the political, economic and social processes that were underway in Ukraine during the transition. I presented the picture of a highly uncertain environment in which political decision makers functioned. In order to understand how this uncertainty exerted influence over the choices for political action available to the leaders at the helm of state, I will now examine those domestic considerations that were non-compensatory for the political actors involved. In the next chapter I will look at the domestic audience with whom Ukrainian transitional leaders were most concerned to cut their losses in order to preserve their political and other influence in the system, the party substitutes.

Chapter 6

ORANGE LEADERS AND PARTY SUBSTITUTES

In Chapter 2, I dwelled on how the political context of transitional states that has a set of distinct characteristics from what scholars typically assume for stable and democratically advanced states. We know from research, for instance, that political parties in developing democracies form party systems with volatile dynamic (Kreuzer 2016; Tavits 2012). They are also not necessarily organized along social cleavages (Kitschelt 1995), and are characterized by weaker voter attachments (Dalton and Weldon 2007). Further, once in office such parties may pursue “promiscuous power-sharing” with unlikely coalition partners (Slater and Simmons 2013). Additionally, we know from Brader, Tucker and Duell (2013) that party-voter policy congruence is very sensitive both to the longevity, incumbency and ideological clarity of parties in both developed and emerging democracies.

In Chapter 2 I also emphasized that under such conditions, political actors may not expect to engage in repeated interactions (e.g., elections) and seek to maximize their payoffs in a single-shot game. In other words, uncertainty “may lead party elites to emphasize short-term gain from holding office over longer-term preferences for maximizing votes”(Lupu and Riedl 2013, 1352). “Party substitutes” emerge in such conditions to offer political actors the necessary political and financial support (Hale, 2005). Akin to machine politics, the fused financial, industrial and political influence of ‘party substitutes,’ such as financial-industrial groups in Russia, according to Henry Hale, allows political leaders in power to conceive of their professional career and personal well-being beyond the reliance on party-voter linkages.

I combine these theoretical insights on party system development with the poliheuristic assumption that in foreign policy decision-making, it is the domestic dimension that is non-compensatory, i.e. cannot be reduced or substituted by any other advantage on a different dimension of a decision (i.e., economic benefit, military advantage, etc.). To reiterate, each foreign policy decision contains first and foremost domestic considerations that are of political value to the decision maker. When I combine these two theoretical points - that the domestic politics comes first in foreign policy decision making; and that transitional uncertainty spurs actors to resort to party substitutes - I arrive at an analytical model of the process of foreign policy changes. Namely, depending on whether leaders face high uncertainty and adjust to their party substitutes' interests, or, if they consider first and foremost voter preferences when uncertainty subsides, a foreign policy change may occur due to a difference in the preferences between and among party substitutes or voters.

In Chapter 5, I have established that the transitional years of the Orange regime were indeed characterized with high political uncertainty. According to the logic of the causal mechanism delineated in Chapter 3 (Figure 3.4), it follows that it was largely political interests of party substitutes rather than voter preferences that were considered by the Orange leaders in the foreign policy decision making of 2004-2009. In order to provide empirical grounding for that assertion, in the following Subsection 6.1 I examine what party substitutes were present in Ukraine during those years. I will also look at how different Ukrainian decision makers were linked to these party substitutes and what interests the party substitutes pursued in Ukraine. In the subsequent Chapter 7, I will focus more specifically on the foreign policy behavior of Ukraine during these years. I will trace how these policies were linked to the abovementioned interests of the Ukrainian party substitutes.

6.1. *Party Substitutes in Ukraine: Emerging Role of Oligarchs*

In Henry Hale's work (2005), party substitutes are analyzed from an economic theoretical standpoint, where individual political actors are 'buyers' and parties are 'sellers' of a particular commodity: electoral votes. Hale innovatively resolves the puzzle of conflicting evidence on the strength and weakness of the party system in Russia. He proposes a concept of "party substitutes" on the electoral vote market. Party substitutes are the suppliers of the commodity with the ability to deliver votes to individual candidates bypassing parties, due to an array of organizational, material and reputational resources at their disposal. In the Russian context, party substitutes are financial and industrial complexes or local governor political machines, according to Hale.

Applying this approach in the concrete conditions of transitional uncertainty where time horizons for political actors are significantly shortened in decision making, I theorize that transitional leaders turn to party substitutes for the same organizational, material and reputational resources, as Henry Hale suggests. However, their goal is not necessarily reelection, but continued political relevance, reputation, safe exit and/or political immunity.

In the Ukrainian context, party substitutes are primarily oligarchs whose financial, industrial and media resources have been underwriting many political events and processes for the past twenty-six years of independence. Indeed, due to the significant influence of these financial magnates on the Ukrainian politics and a high level of corruption that accompanies it, the country's current political system has been variously described as "oligarchate," (Havrylyshyn 2016b, 201) or "piranha capitalism" (Markus 2015). Such system it characterized

by massive practices of embezzlement, insider's trading and corrupted privatization maneuvers, including armed violence and raider attacks on competitors (Aslund 2005b; Avioutsii 2010; Puglisi 2003). Ukraine arrived at the dawn of the 21st century with a well-defined (even if not well exposed to the public) circle of business elites that had formed strong links to Kuchma regime. The latter granted them tax breaks, law evasion protectorate, insider privatization opportunities and direct budget subsidies among else, in exchange for cuts from rent-seeking activities and loyalty to the regime (Havrylyshyn 2016c, 207–16).

This group accumulated their initial wealth from the rocky Ukrainian privatization (popularly dubbed “*prykhatization*” or grab-ization). This took place to to their privileged access to government resources stemming from the links to the Communist party or other position of power in the old Soviet system of governance. However, as large state-owned enterprises and companies remained few and far between in the late 1990s, and the initial competition between major Ukrainian business players stabilized, the major concern for the oligarchs became the ability to protect their assets and their rent-seeking mechanisms from unpredictable state intrusion, re-privatization and other pressure from the government.

Notoriously cumbersome and seemingly unending Ukrainian state regulations on anything from fire safety to high taxation rates gave much trouble to small or medium business in Ukraine and privileged the consolidation of big business. However, these regulations also made big business theoretically almost always liable for some kind of violation of a given code, and thus required a “*krysha*” (or ‘roof’ in Russian), a protection from local or national

authorities.⁶² The fate of above-mentioned Mr. Lazarenko and the jailing of Mikhail

Khodorkovsky in the neighboring Russia were alarming examples for the Ukrainian oligarchs.

Beyond personal and familial connections to the ruling Kuchma regime, one of the ways to receive *krysha*, and even a further assurance of non-intrusion on the part of the government, was to obtain the legal indemnity and immunity as an elected official. Such right was guaranteed under the Constitution of Ukraine of 1996 and was further expanded in the Law on the Status of a People's Deputy of Ukraine.⁶³ First introduced as early as 1992, this Law saw fifteen various amendments adopted by Rada prior to the Orange revolution. The degrees of widening and narrowing the scope of the deputies' immunity underwent the scrutiny of the Constitutional Court of Ukraine six times in the same time frame.

President Kuchma took the issue of immunity further. To curb the influence of Rada, Kuchma put the question of deputy's immunity before the Ukrainian voters in a national

⁶² This, in passing, is also a reason for some of the major retail businesses from abroad to stay out of Ukrainian market. For instance, IKEA was did not want to enter Ukrainian market because of did not want to be embroiled in corrupt business practices and Ukrainian 'byzantine bureaucracy' and never For more details, see for instance: <http://www.worldbulletin.net/europe/165278/ukraine-wants-ikea-store-symbol-of-anti-corruption-fight> In addition, prior to the Orange revolution Ukraine scored 58.70 on the World Bank measure of Starting business, and only slightly improved that score the following year of 2005 to 61.68. The "Starting Business – Distance to Frontier" measure is summarized on by the World Bank as "The distance to frontier score aids in assessing the absolute level of regulatory performance and how it improves over time. This measure shows the distance of each economy to the "frontier," which represents the best performance observed on each of the indicators across all economies in the Doing Business sample since 2005. This allows users both to see the gap between a particular economy's performance and the best performance at any point in time and to assess the absolute change in the economy's regulatory environment over time as measured by Doing Business. An economy's distance to frontier is reflected on a scale from 0 to 100, where 0 represents the lowest performance and 100 represents the frontier. For example, a score of 75 in DB 2016 means an economy was 25 percentage points away from the frontier constructed from the best performances across all economies and across time. A score of 80 in DB 2017 would indicate the economy is improving. In this way, the distance to frontier measure complements the annual ease of doing business ranking, which compares economies with one another at a point in time." Source: <http://www.doingbusiness.org/data/distance-to-frontier>

⁶³ The Ukrainian language version of the Law is available here: <http://zakon3.rada.gov.ua/laws/show/2790-XII>

referendum in 2000. Eighty-five percent of the cast ballots were in favor of curtailing the Ukrainian deputy immunity. For various political reasons that I am not going to elaborate in current discussion, the results of the referendum were never put in practice.

By contrast, the updated Law of 2001 extended the rights of Rada members. Previously Rada deputies were not to be prosecuted for their political statements and votes in the legislature, as is the parliamentary norm in democratic states. According to the new Law's Part II, Article 17, they were now granted an unlimited access to the territory or any state or local government or private agency, enterprise or other facility. Additionally, they had a right to demand an immediate rectification of any identified violation of the Ukrainian law, under the threat of legal or criminal responsibility of those who refuse to do so. In effect, what it meant was that Rada deputies could have access to any entity in Ukraine without regard to the form of ownership or the level of state secrecy. In addition, they were under the protection of the Ukrainian Constitution if they inflicted any damage on it.

All of this, as it may be surmised, was an extremely attractive option for oligarchs who needed to protect their assets and the rent-seeking mechanisms that generated them. Thus, the Ukrainian parliament saw a consistent representation of oligarchic interests in its own ranks. By 2002, out of 450 Rada deputies, 300 were dollar millionaires (Bayrachny quoted in Havrylyshyn (2016, 214)). Alsund (2009, 65) estimated that nearly 20% of seats were controlled by oligarchs by 1994; whereas after the election of 1998, there were at least 28% of seats serving the interests of this groups (Puglisi 2003, 109).

Such direct influence on the decision-making process in the Ukrainian context means that the fusion of political and financial interests contributed to a cyclic interest loop between oligarchs made and politicians,⁶⁴ as pointed out by Melnykovska and Schweikert (2008, 9):

“They [oligarchic clans] are mainly interested in accumulating wealth and capturing new markets. However, the oligarchic clans also are different from a classic business entity in the way they use the strategy ‘**power-money-power**’ for wealth accumulation. Namely, access to state power enables the oligarchic clans to secure their economic interests and make profits, which they use to broaden their political power. A symbiosis of politics and business does not involve just a simple patronage connection. Besides lobbying, networking and bribing to influence politics, the oligarchic clans aim at assimilating the political elite. The assimilation of clan’s members in politics and vice versa is a common phenomenon in Ukraine.”

In fact, Leonid Kuchma himself, looking back at his years in office, acknowledged that during his presidency years, “Our main common failure was the failure to separate power from business” (Kuchma 2009).

Having emerged in the early 1990s as a result of state privatization process (Kudelia and Kuzio 2015), and undergone fierce, at times violent competition⁶⁵, the Ukrainian oligarchs had achieved a relatively established system of power balancing vis-à-vis each other and the government by the end of Kuchma regime (Balmaceda 2013b, 99). They primarily pursued accumulation of wealth to begin with, and in the context of vast corruption, found ways to protect their rent-seeking mechanism through personal connections to Kuchma regime and/or

⁶⁴ We may also observe another way through which oligarchic-political interests were connected: the political appointments to executive offices of either oligarchs themselves (e.g. Mr. Poroshenko as a Minister of Foreign Affairs under Yushchenko’s presidency and as a Minister of Trade and Economic Development under Yanukovych presidency; or Mr. Kolomoisky as a regional governor under more recent Poroshenko government) or those closely linked and beholden to them. For more details, see: http://www.bbc.com/ukrainian/politics/2015/03/150326_oligarch_ukraine_map_vc

⁶⁵ The practice of the so-called reiderstvo or ‘raidership’ or violent takeover of some companies by armed groups to force the change of ownership between oligarchs is further explored in Matthew Rojansky’s “Corporate Raiding in Ukraine: Causes, Methods and Consequences,” *Demokratizatsiya: The Journal of Post-Soviet Democratization*, 22.3 (2014): 411-443.

through deputy's indemnity and immunity.⁶⁶

The impending end of the turbulent second term for President Kuchma was foretelling a major upset in such comfortable relationship between the oligarchs and the regime. Part of the reason for the oligarchic concern was that Kuchma's prospective successor, Viktor Yanukovych, in contrast to the incumbent President, favored a very clear and undiversified regional oligarchic connection with his home base of Donetsk. As a former governor of the region, he, along with other individuals involved in heavy industry business and mining in Donetsk, worked to strengthen the Party of Regions. The party's support continued to rise from 1998 on. In 1998, the Party of Regions won two seats in the parliamentary elections. In 2002 elections it saw a thirteen-time fold increase. And it claimed 186 seats in elections of 2006. Hence, the prospect of one ruling oligarchic clan from Donetsk was unsatisfactory to other wealthy Ukrainian magnates (Radnitz 2010). Already after 2000, under the premiership of Viktor Yanukovych, there was a clear preference pattern in awarding privatization deals with a bias towards those who consolidated their support behind Yanukovych proper (Pleines 2008).

When a relatively popular alternative to Yanukovych came forth in the form of the opposition movement headed by Viktor Yushchenko, many oligarchs put resources in support of this political opportunity, far surpassing the level of financial support from any other sources, including foreign (Way 2005). These oligarchs were not united in a single coalition. But as the

⁶⁶ Other ways and means by which Ukrainian oligarchs have been connected to political powerholders are explored in more detail in Avioutskii (2010). Avioutskii emphasizes the regional origin and character of the Ukrainian oligarchic clans, the level at which the original links between big business and politicians are inseminated. Havrylyshyn (2016), however, argues that Ukrainian oligarchs have overcome the regionalization of capital and influence by the end of Kuchma regime, and it is therefore more fitting to analyze them for my period of study on the national (Rada and other state institutions) rather than regional levels.

opposition movement started to grow, they pursued interests that united them for the time being in such critical juncture as a pending transition of power (Gould 2011; Kudelia 2012).

To summarize, initially the dubitable privatization transactions and illegal rent-seeking schemes drove the new class of oligarchs to seek out “*krysha*” through close and strong connections with the government. They found a way to secure their profits through personal connections and further proceeded to solidify their influence through the bribed executive appointments, the parliamentary seats with coveted immunity and with further ways to influence policy outcomes to their own favor. By the beginning of the Orange revolution, the Ukrainian oligarchs accumulated political experience and financial resources and had the ability to reverse the power relationship with the government. Not only were they uncontrolled by Kuchma any more, but this group was in a position to offer material, organizational and parliamentary support to a prospective politician in order to boost his/her changes for political success.

Such was the emergence of the political influence of party substitutes in Ukraine. If early on the oligarchs pursued politics for security and profit reasons, now politicians were seeking oligarchic support for political boost. Viktor Yushchenko secured the support of Kyiv-based chocolate magnate Petro Poroshenko’s. Yulia Tymoshenko was backed by her Dnipropetrovsk connection, the oil and banking mogul Ihor Kolomoiskyi (Havrylyshyn 2016d, 215). In certain ways, the financial capital and the networks that oligarchs generated during the 1990s were turned to serve the rising politicians in exchange for continued securities of their rent-seeking channels and guarantees of immunity from prosecution. In this way, the declared values of the Orange revolution, such as “Bandits – Behind Bars!” and other promises of ridding the Ukrainian government of bribery and corruption were to a degree self-defeating

from the very beginning. The Orange politicians had the backing of certain oligarchs who supplied them organizational and material resources in exchange for the non-execution of the Orange threats. The following subsection will trace the development of the oligarch-power relations during the Orange regime and look at the interests that these party substitutes had in regard to the Ukrainian foreign policy.

6.2. *Oligarchs and Orange Government: An Unsevered Tie*

The rise of oligarchic influence in the Ukrainian politics, briefly surveyed in the previous section, showcased that these actors were part and parcel of the Ukrainian political scene as parliamentarians, top executives, and otherwise. By the beginning of the Orange revolution they actively sought to reshape the political system by using their wealth of material, organizational and other resources. It is the task of this section to follow the development of oligarchic ‘agenda’ during the Orange regime years. By looking more closely at how the oligarchy developed in this time frame, I will also determine the foreign policy interests that this group pursued.

There is relatively little information on the activities of the Ukrainian oligarchs in the 1990s, due to the secrecy of their activities and lack of reliable media coverage. The problem of the informational scarcity on this issue is aggravated by the fact that it has become a customary practice for the Ukrainian oligarchs to buy major media and news outlets and use them to promote certain ideological positions, policies and party images, while sheltering their owners from unnecessary exposure (Dresen 2011; Fedets 2015). When the Kuchmagate cast a dark shadow on the regime, the oligarchs were readier to come out of shadow and into domestic and

international spotlight since it became clear that Kuchma himself could be also be targeted for a wrongdoing in the media.

In 2002, for the first time the Polish journal *WPROST* listed three individuals from Ukraine in its 100 Richest Eastern and Central European People list. The list included Rinat Akhmetov, a metallurgic and energy sector magnate; Viktor Pinchuk, pipe, a metallurgy and media/consulting entrepreneur; and Viktor Medvedchuk, a banking and consulting oligarch. Together these three individuals amassed 3,800 million USD in 2002.⁶⁷ And like no other from a wider circle of Ukrainian nouveau riches who were still operating in shadow at that time, these three individuals had a very strong personal links to the top governing officials in the country and beyond. Viktor Pinchuk married Kuchma's daughter. Viktor Medvedchuk had Vladimir Putin and Svetlana Medvedeva (wife of the Russian Prime Minister) as godparents for his daughter. Rinat Akhmetov was closely linked to Viktor Yanukovych, then Prime Minister under Kuchma.

This was only the first sign of the growing oligarchic wealth that started to venture into the East European and Western public scene. The same list compiled by *WPROST* in 2003 included three more new entries from Ukraine: Ihor Kolomoiskyi, Serhiy Taruta and Oleksandr Yaroslavskyi, who totally added another \$3,050 million to the publicly known assets accumulated in Ukraine. Having surveyed the Ukrainian wealthy in 2004, Forbes World's Wealthiest list for 2005 - for the first time - included some Ukrainian oligarchs as well (Akhmetov, Pinchuk and Taruta).

⁶⁷ These rankings are available here:
<http://web.archive.org/web/20081216111454/http://najbogatsieuropejczycy.wprost.pl/?b=-1&e=37>

After the Orange revolution, both the number of publicized oligarchs and their wealth continued to grow. By 2007, a year prior to global financial crisis, *WPROST* already listed 24 Ukrainians, constituting close to a quarter of its register of the wealthiest Eastern and Central Europeans. *Forbes*, in its turn, for the same year showed the increased number of the Ukrainian wealthiest in the world ranking. There were seven individuals and the lowest personal wealth in this group belonged to Konstantyn Zhevago who reportedly had a net worth of 1,000 million USD.

Not only did Western (*Forbes*) and Eastern European (*WPROST*) outlets start to follow the Ukrainian wealthy. With the liberty of speech and general democratization efforts on the rise during the years of the Orange regime, the Ukrainian media got to reporting their own estimates of the oligarchic wealth in the country as well. Thus, in 2006, a Ukrainian magazine *Korrespondent*, in partnership with the newspaper *Kyiv Post* and *Dragon Capital*, a financial consulting firm, published its first list of thirty wealthiest Ukrainians. The bottom position in the list (the ‘poorest’) was held by 177 million USD machine-building business owner. Only a year later, this list was expanded to fifty individuals, where the assets of the 50th were estimated to be at \$228 million.⁶⁸ The same year, another Ukrainian edition, *Focus*, revealed a much more expanded list of one hundred Ukrainian millionaires and billionaires, whose total wealth added together constituted \$70 billion USD,⁶⁹ surpassing the net worth of the world’s richest Bill Gates for that year.⁷⁰

⁶⁸ For a full coverage in Ukrainian, see: <http://ua.korrespondent.net/business/293562-parad-milyarderiv-zhurnal-korrespondent-oprilyudniv-rejting-50-najbagatshih-ukrayinciv>

⁶⁹ A summary of the report can be found in Russian here: <http://www.pravda.com.ua/articles/2007/03/23/3219968/>

⁷⁰ Bill Gates’ fortune was estimated by *Forbes* to be at \$56 billion in 2007 according to *Forbes*: https://www.forbes.com/lists/2007/10/07billionaires_William-Gates-III_BH69.html

The following year of 2008, such tendency of growing exposure continued. By the estimates of the same journal, *Focus*, the list of the Ukrainian richest reached one hundred and thirty, and the lowest assets holder was worth \$130 million. And in 2009, this journal found one hundred and fifty millionaires in Ukraine, growing to two hundred individuals by the end of Orange regime in 2010. *WPROST*, *Forbes* and *Korrespondent* continued to publish their updated lists throughout these years with the unshrinking number of Ukrainians as well. Whereas the methodology and the pool of candidates that these various rankings differ, what is important to note is that from 2002 to 2008, such growth in numbers was stable within each respective ranking.

An important question that such observation of growing publicity surrounding the Ukrainian wealth generate is - why do we see such rates of growth over the short span of few years? Clearly, this is not an indication that dozens of freshly-made Ukrainian millionaires were minted per year. Indeed, such fortunes would be hard to make over such a short time span by any sound business estimates. The history of the capital owned by these moguls confirms their long presence on the Ukrainian market. The answer to that question goes to the very essence of the new kind of relationship fostered between the oligarchs and the Orange regime. By exposing the nature of such relationship, we could gain an understanding of the newly reformatted connections between the Orange political elites and oligarchs, as well as the particular foreign interests that the latter pursued and wielded over the former.

Several contextual conditions prepared a new relationship between business and government elites in Ukraine after the Orange revolution. On the political side, the inability of government to assuage public discontent following the Gongadze case, Kuchmagate and Yushchenko's resignation after his largely successful monetary reform of 1996, revealed a deep

crisis in the current authoritarian-leaning system that routinely handled viable opposition by resorting of extra (or semi)- judicial violence. To a degree, as a reaction to such tendencies, there was a growing consensus among the business and political elites that more power and authority should be shifted to the parliament. Rada, with 450 offered a more diversified field for competing oligarchic influences than a single-handed decision making process by the President. This, as I discussed, was finalized in the agreement signed in the heat of the revolution between the Orange leaders and the outgoing regime, shifting the institutional setup of Ukraine from the semi-presidential to parliamentary model.

Furthermore, as the ‘grand-balancer’ Kuchma was preparing to leave the office, his prospective successor, Viktor Yanukovych, indicated that only certain oligarchic groups would be privileged. In this context, many Ukrainian oligarchs found it to be more profitable to put their stake with the opposition camp under the leadership of Viktor Yushchenko. Petro Poroshenko, a chocolate magnate, appeared at the front stage of the Orange protests; whereas others preferred less public gestures that involved backdoor negotiations and material support. Lucan Way (2008) estimated that Yushchenko’s presidential campaign cost over \$100 million that went to fund “nearly ubiquitous banners and logos; transport for poll observers and thousands of \$300 video cameras to record violations on election day; enormous video screens and other equipment for rock concert–like demonstrations all over the country in the aftermath of the fraudulent election; and tents, camp kitchens, and other equipment to facilitate the occupation of central Kyiv” (2008, 65). Such influx of capital was from the large and medium Ukrainian business elites, the author argues, and Western funding for exit polls and other training programs pales in comparison, according to the author.

My interview with a Ukrainian activist also confirms that the aid from the West was primarily received through Western NGOs support to conduct trainings with their Serbian and Georgian counterparts, rather than direct financial contributions. Other insiders' reports that look back at these events years after they took place also confirm that Western partners provided training, advising and analytical support rather than direct funding (Stetskiv 2016).

With a history of buying deputy votes in Rada and experience of negotiating for key governmental appointments, some oligarchs approached Viktor Yushchenko early on after his resignation as a Prime Minister with proposals of supporting his candidacy by 'delivering' him close to 10% of votes in Donbas region (Stetskiv 2016). This is the way in which these oligarchs, as predicted by Henry Hale (2005), were acting as party substitutes, promising votes in a system that was based on their connection to voters through the control over voters' salaries and employment. Indeed, such tactic of voter pressure, intimidation, ballot stuffing and falsification to boost the electoral results to a desired number was later used by Kucha regime and his entourage in 2004 elections, sparking the onset of the active stage of the Orange revolution amid the accusations of electoral fraud.

After the victory of Viktor Yushchenko, the Ukrainian oligarchs were in a waiting mode to see what his eventual policy toward big capital elites was going to be. Certain oligarchic opponents that had lined behind Mr. Yanukovich were afraid of retributions. In fact, after Yushchenko left Presidential office, a former Orange colleague accused him of receiving bribes in cash from the very oligarchs who supported Yanukovich and Kuchma in return for security guarantees, which allegedly he agreed to provide to them (Tomenko 2012).

Contrary to the Orange slogans promoting the cleansing of government from corrupted influences, none of retributive actions was put in practice. Rather, Viktor Yushchenko shied

away from the same role that Kuchma practiced in his relations of monitoring and arbitrage of oligarchs. On their part, the waiting mode for oligarchs was exacerbated by several extenuating circumstances. In the first few years of his presidency, Viktor Yushchenko underwent 26 surgeries under general anesthesia to relieve him of the debilitating poisoning effects (Yushchenko 2014, 323). Secondly, the time of convalescence for Mr. Yushchenko during the first three months of his presidency combined with his extensive official visits abroad. According to some reports, it is both these personal and logistical reasons that combined to the general reluctance of Viktor Yushchenko to assume the same ‘arbiter’ role for oligarchs that Kuchma had previously held (Stetskiv 2016).

Finally, as a matter of larger institutional change, the oligarchs were aware that the office of the President will shortly be stripped of the powers that made President Kuchma such an effective arbiter. As the shift towards parliamentary republic rather than presidential one was looming in on the horizon of 2006, the newly vested Premiership and Rada were become more relevant in oligarch’s calculations of power and influence.

Hence, a large majority of the oligarchs received a message that no arbitrage, balancing or punishment would be disbursed from Yushchenko’s office. Meanwhile, the Prime-Minister Yulia Tymoshenko, a former oligarch herself, conveyed another position early in her premiership in 2005. She stated that oligarchs are not to be jailed or persecuted, but rather that their capital needs to be “legalized” in Ukraine and fill the government coffers. “I believe that oligarchs are not to be jailed but they are to be forced to share,” she said on record in April, 2005 (Tymoshenko 2005).

In such way, this group of party substitutes received both assurances that no persecution for malfeasance or wrong political support was going to threaten their personal or their business

security at the beginning of the Orange regime. They were encouraged to come out of shadow, and become more publicly visible and engaged. In terms of their relative influence vis-à-vis each other or the rest of the government, the oligarchs were left to settle their affairs without Yushchenko's direct interference, except for only a few that were connected by their rent-seeking to him personally.

In an effort to make oligarchs come out of shadow and 'share', the Orange regime introduced special quarterly meetings with Ukraine's richest, although not everyone accepted the invitation or showed up to the meetings at Yushchenko's request (Yushchenko Plans to Meet with Oligarchs Quarterly 2007). Further, the Ukrainian oligarchs were encouraged to become active contributors to government's projects through charitable donations and other mechanisms. A recently publicized document by the Zakarpattya Regional Administration head showcased corruption surrounding the Orange Presidential project "The Hospital of Future." This was an innovative modern pediatric project, sponsored through "Ukraine 3000" Fund headed by the First Lady. The fund collected over \$44 million by direct contributions from oligarchs themselves or their enterprises and funds (Moskal 2016). Certain journalistic investigations show large mismanagement and misappropriation of these funds, which allegedly lined the pockets of the Orange leaders, and indeed, no clinic has been built yet (Private Clinic Instead of "The Hospital of the Future" in Ukraine 2016).

Another similar "social responsibility project" by the President to bring oligarchs on board included an orphanage project "Give Warmth to a Child" headed by Yushchenko's daughter, where the Ukrainian oligarchs of different political and regional ilk were among the constant financial contributors. They were personally hosted by the President for fundraisers (Leshchenko 2007). And in 2008 the President issued an official Decree # 61 on the

composition of the National Council on Charity “Give Warmth to a Child” that included Viktor Pinchuk, Petro Poroshenko, Dmytro Firtash, Serhiy Taruta and other prominent oligarchs,⁷¹ who allegedly each received a region to ‘curate’ and sponsor for this project on continuous basis (Oligarchs Are Not Happy with Yushchenko’s Daughter 2008).

From this brief illustration, we see that despite the Orange threats, very early on after the revolution, the Ukrainian oligarchs received personal and business security from the Orange camp. After oligarchs’ major concern for security and continued profit-making was satisfied, they waited on the ‘arbitrage’ from the top executive office, however, instead they were left to vie for relative economic influence and advantage vis-à-vis the government and between themselves. When it came to the engagement with political system, the oligarchs were encouraged to come out of shadow, which explains their growing number in both domestic and foreign wealthy lists. In addition, these business elites were given a new role of “socially responsible actors” that provided them a direct line of connection to President Yushchenko and his family.

Finally, oligarchs’ parliamentary influence was slated to grow with the constitutional reform of 2006 that shifted Ukrainian electoral system to a closed list fully proportional set of rules. This institutional rearrangement provided incentives for oligarchs to engage not only as individual deputies but more importantly as the forefront sponsors, leaders and managers of political parties. Rinat Akhmetov, for instance, became a Rada deputy in 2006 and then again in snap elections of 2007 as a #5 and a # 3 on the party list of the Party of Regions respectively.

⁷¹ Available in Ukrainian here, with a list of the oligarchs and other contributors as Council members: <http://www.president.gov.ua/documents/612008-6986>

To summarize, the oligarchic influences were strong and privileged under President Kuchma, who had a balancing effect on oligarchs with a constant threat of authoritarian crackdown. Yet the oligarchic influence under the Orange regime not only remained strong, but it further expanded in both economic and political realms. This was done through the encouraged quasi-transparency, ‘social responsibility’ projects and direct involvement in party formation, organization and legislative activities without proper governmental vigilance as to their potentially harmful business or political practices. The political-oligarchic tie was not only unsevered during the Orange regime, but it further strengthened party-oligarchic-parliamentary dysfunction in Ukraine.

6.3. *Viktor Yushchenko and Oligarchic Foreign Interests*

As demonstrated above, Ukrainian oligarchs under the Orange regime became more publicly prominent and increasingly significant domestic political actors. In line with the poliheuristic approach adapted for the transitional politics, when it comes to foreign policy making, these oligarchic party substitutes were the domestic audience that the state leaders primarily considered in their foreign policy making. Thus, I now devote my attention to the foreign policy interests of oligarchs. I will then trace such interests to the Ukrainian foreign policy behavior in Chapter 7.

The theoretical literature on the role of large business elites tends to hold a uniform view of their presumptive interests. Predominant economic models see large business groups as profit-driven rational actors who get involved in democratization in order to protect their own business interests (Bartell and Payne 1995). Coase theorem implies that new capital owners will

require good institutions to get security for their property rights. This approach treats oligarchs as a largely uniform group of actors who - under similar conditions - behave in comparable ways.

Indeed, on one hand, as I observed, the structural constraints of the initial privatization dynamic in Ukraine, along with the consolidation of authoritarian power under Kuchma and his exit/power handover, equally pushed the Ukrainian oligarchs to seek indemnity, 'krysha' and other colluding mechanisms with government officials and institutions (e.g. parliamentary seats, etc.). In addition, certain economic preconditions affected many Ukrainian oligarchs in similar ways: domestic sources of privatization dried up by the early 2000s; no more hyperinflation was there to speculate on; and a more developed banking system and monetary reforms were in place instead. Further, the global financial crisis of 1997 that hit Asian markets and spread to Russia and Brazil, did reverberate in Ukraine exacerbating fiscal policy deficiencies (Petryk 2006, 10–11). All these conditions affected the oligarchic wealth in comparable ways.

In addition, many oligarchs faced analogous challenges of (re)establishing markets for their post-Soviet products that either did not meet Western quality standards or were produced with outdated technologies and intense labor, making them less competitive in world markets. Some scholars, in view of such common political and economic challenges, view the Ukrainian oligarchs as a group that pursues a common goal - internationalization and globalization of their business practices and diversification of their capital (Melnykovska and Schweickert 2008).

Others scholars are much less willing to treat oligarchs and their interests as a uniform block (Avioutskii 2010; Kudelia 2012; Matuszak Sławomir et al. 2012a). They emphasize that oligarchs with diverse business connections and interests pursued varying position on Ukraine's domestic and foreign policies. So far, in the current research I have approached the oligarchic

elites in Ukraine as one group albeit with some notable regional (Donetsk or other) or party affiliation differences (Orange supporters vs. Party of Regions). This is a standard approach in describing early, pre-Orange history of oligarchy in Ukraine.⁷²

However, as the dynamic of the relationship between the oligarchs and the Orange leaders became more solidified (i.e., no persecution; no arbitrage; more publicity; more ‘social responsibility’ and tacit support from the Orange camp), and the oligarchs switched more of their efforts towards party formation and management, distinct domestic and foreign policy positions became more apparent between various oligarchic groups. It would be neither possible nor productive to outline positions of each member of over two hundred Ukrainian millionaires. In addition, the global financial crisis significantly reduced the assets of many Ukrainian wealthy (Aslund 2015). And certain oligarchs coalesced around ‘clans’ headed by more prominent leaders (Matuszak Sławomir et al. 2012a). So, I find it more expedient to study their foreign policy positions by looking at major subgroups within the Ukrainian oligarchy that were directly connected to the foreign policy decision makers at that time.

Thus, there were three central foreign policy makers: the President, the Prime-Minister and the Minister of Foreign Affairs of Ukraine in the Ukrainian political system of that period. As the 2006 constitutional reform left the prerogative of appointment and dismissal of the Minister of Foreign Affairs with the President, during the transition, the Ministry as a government structure often acted as an arm of the President in matters of foreign policy. Hence, in this analysis I need examine the foreign policy interests of those oligarchs that President Yushchenko cultivated. I will analyze Viktor Yanukovich’s oligarchic ties in Chapter 8.

⁷² See, for instance, Havrylyshyn (2016d), Solonenko (2014), Aslund (2015).

As for Viktor Yushchenko, his major oligarchic connections included first and foremost his political ally and future Minister of Foreign Affairs (2008-2011), Petro Poroshenko (Matuszak Sławomir et al. 2012a, 21). Yushchenko is also the godfather of Petro Poroshenko's two daughters. Poroshenko's major assets have been in food and auto industry as well as media. His business constitutes 25% of all Ukrainian confectionary branch⁷³, with main export markets in Russia, Kazakhstan and Moldova, but also the EU members Lithuania and Estonia, as well as the US and with manufacturing plants both in Ukraine, Russia and Lithuania. His TV channel, 5 Kanal, became a loudspeaker for the Orange revolution, broadcasting live coverage of the protests around the clock, which might have been an additional reason to dissuade Kuchma regime from cracking down on the protesters.

Poroshenko's main business and therefore political interests have been double-edged. On one hand, his major confectionary business exports are oriented, among others, toward Russia.⁷⁴ His other business in shipbuilding (Kyiv-based "Kuznia na Rybalskim" plant) and Sevastopol Shipyard thrives on favorable relationships with Russia as well, having had the Russian Black Sea fleet in the Crimea as one of its major shipyard customers (until the annexation of the peninsular and nationalization of the major enterprises in the Crimea by Russia in 2014-2015).

On the other hand, protecting the Ukrainian food markets from Russian competitors by not allowing the Ukrainian business to be consumed by Russian investors and owners has also

⁷³ According the official statistics by Ministry of Economic Development and Trade of Ukraine: http://www.ukrexport.gov.ua/eng/ukr_export_exporters/?act=view&id=58&country=ukr

⁷⁴ Of particular note are the trade wars between Ukraine and Russia, and the 2013 "chocolate war" that exposed the vulnerabilities of Poroshenko's company, *Roshen*, to the pressure from the Russian government. For more, see for instance: <http://www.epravda.com.ua/publications/2013/08/12/389401/>

been an important priority for Poroshenko business as well. Further, with his extensive marketing network for selling his products abroad, Poroshenko falls into the mold of those oligarchs that Melnykovska and Scheweickert (2008) describe as a potential advocates for pro-Western, pro-EU positions due to financial globalization pushing Ukrainian oligarchs to pursue more globally oriented, rather than regionally bound foreign policy views. In the end, the most desirable balance for Poroshenko at that time was not to upset the favorable trade relationship with Russia, while looking to expand towards new markets in Europe and larger abroad.

The second powerful oligarchic formation supporting and receiving favors from Yushchenko during his presidency was an infamous entity RosUkrEnergo (RUE). Much ink has been spilled on this controversial intermediary that was set up in 2004 and until 2009 functioned as an exclusive importer of Russian and Turkmen gas to Ukraine (Aslund 2015; Balmaceda 2013a; Kuzio 2015; Matuszak Sławomir et al. 2012a). Even more whirlwind of publications and discussion was generated on this subject in the Ukrainian media. The two equal stakeholders in RUE were the Russian state enterprise Gazprom and Dmytro Firtash, a Ukrainian oligarch (through his consortium GDF Group). In effect, instead of direct Gazprom supplies to the Ukrainian state company, Naftohaz, RUE extracted rents through artificially regulated prices, a mechanism which over a span of five years cost Ukraine 2,668 million USD in losses and eventually became a legal case matter in both Kyiv and New York.⁷⁵ Kuzio (2015, 396–97) convincingly shows how RUE was connected through GDF Group to Leonid Kuchma, who continued to have an influence in post-Orange Ukraine. Matuszak (2012) delineates that connection further and shows RUE's two-folded influence on both Yushchenko and

⁷⁵ According to a recent estimate of the Ukrainian Minister of the Interior Arsen Avakov: <https://www.epravda.com.ua/news/2015/06/26/548408/>

Yanukovych camps. Both authors list Yushchenko's reluctance to press the investigation of illegality of RUEs deals launched by Yulia Tymoshenko as well as certain Firtash-connected appointments as clear signs of Yushchenko's involvement with RUE.⁷⁶

Firtash's major business interests are inextricably linked to trading in gas and manufacture of nitrogen fertilizer. He holds a near monopoly with 4 out of 6 Ukrainian plants in this industry. The profits from the nitrogen fertilizer business are directly linked with the prices of the gas, since these fertilizers use it a raw material. His firm *Ostchem* also has holdings in titanium ore production in the Crimea and through other partners he controls *Inter TV*, one of the most popular TV channels in Ukraine. In short, during the Orange regime, Firtash and RUE are inextricably linked through their rent-seeking mechanisms to predominantly Russian influences. This is because this business favors strong connections between the buyer, i.e. the Ukrainian state and the supplier, i.e. Russian Gazprom of its ultimate product of the Ukrainian energy dependence, the natural gas.

Ihor Kolomoiskyi was another Ukrainian oligarch who supported the Orange leaders. According to his own statements, ended up contributing \$5 million to the Orange camp before

⁷⁶ Yulia Tymoshenko's oligarchic connections were more sophisticated, as she attempted to purge some of them (RUE) out of the position of political influence since they threw their weight behind her contenders. For instance, she opened a re-privatization of a Ukrainian enterprise Kryvorizhstal, the largest Ukrainian steel company owned by two Kuchma-tied oligarchs, Akhmetov and Pinchuk. In 2004 at the stacked-card auction Akhmetov and Pinchuk bought Kryvorizhstal for \$800 millions. Shortly after her appointment in 2005, Tymoshenko issued a government order for its resale and finally, in a widely televised auction the enterprise sold for \$4,5 billion to Mittal Steel company from India.

In the middle of the Ukraine-Russia gas war 2009, without Yushchenko's agreement she flew to Moscow and in talks with Mr. Putin renegotiated the gas agreement between Russian Gazprom and Ukrainian Naftohaz, albeit at a price that was not favorable for Ukraine in a long-term perspective, but which nonetheless excluded RUE from any intermediary role. The gas deal was later used as grounds for President Yanukovych to open a case against Tymoshenko for "abuse of office" and it subsequently led to her second arrest (the first was by President Kuchma in 2000) and imprisonment from 2011 to 2014. She was rehabilitated in 2014 by Supreme Court of Ukraine following the Euromaidan revolution. In a more recent development on the 2009 gas deal with Russia, on May 31, 2017 Stockholm International Arbitration tribunal ruled in favor of Ukraine's not paying for undelivered gas worth \$34.5 billion provisioned by the gas deal. <https://www.ft.com/content/47bcd385-9eca-309b-b018-18423a05b11c>

the regime change. His financial support grew, however, once Yushchenko team was installed in office: in parliamentary elections of 2006 and 2007 he personally contributed to “Our Ukraine” campaign (Yushchenko’s party) a total of 40 million dollars (Kolomoiskyi 2008).

Ihor Kolomoiskyi’s major business assets totaled \$1,6 billion in 2017 according to *Forbes* estimates. He accrued most of his capital through Privat Group that is largely invested in banking, petrochemical industry, domestic airlines and media. The major foreign policies could also be deduced from a range of business interests Kolomoiskyi holds. Some key revenue producing assets under control of Privat Group are located in the Southern parts of Ukraine, including three ferroalloy plants (in Zaporizhzhia, Nikopol, Stakhanov) and Kremenchutsk oil refinery. Thus, it has been speculated by some Ukrainian experts that building a strong political counterweight to Kyiv in the Southern part of Ukraine, similarly to Donbass area would be politically beneficial to Kolomoiskyi. However, in contrast to separatist aspirations in the East of Ukraine, Kolomoiskyi had conflictual relations with some Russian oligarchs who made their way into the Ukrainian market to the point of drawing Mr. Putin’s attention to his ‘schemes.’ The latter called him a swindler and scammer, whereas Kolomoiskyi referred to Putin as a “schizophrenic” (Levinski 2014).

Overall, Kolomoiskyi domestic air business interests would be strongly challenged by competition from the low-cost European airlines, which logically would prompt him not to favor certain terms of the Association Agreement with the EU that was in preparation during the transition. But this Ukrainian oligarch eventually took a very strong anti-Russian position, vividly expressed in the ongoing armed conflict in the East of Ukraine. In particular, he voiced support to build a wall on a porous border between Russia and Ukraine; funded far-right political party “Svoboda;” organized a voluntary armed regiment that he sponsored in order to

fight on the Ukrainian side of the ongoing conflict; and finally, suggested that assets of the Russian oligarchs who support the break-away republics should be nationalized and shares turned over to the Ukrainian soldiers who fought in the East. And as an appointed governor of Dnipropetrovsk in 2014 he petitioned for parts of Donetsk oblast to be joined to his region. Thus, Kolomoiskyi foreign policy interests could be summarized as in general oriented towards minimizing Russian financial and business and political presence and pressure on Ukraine.

To encapsulate, a brief examination of Viktor Yushchenko's connections to oligarchic circles shows that even though there was a protectionist stance as far as Ukrainian producers were concerned (e.g. Poroshenko), the major thrust of business relations was directed towards favorable trading and cooperation with Russia while at the same time seeking to expand their products to other, new markets. A foreign policy confrontation with Russia, would hugely disrupt the existing rent-seeking mechanism that connected the Ukrainian oligarchs and the Ukrainian politicians, whereas further trade liberalization with the EU was most economically favored interest of the Ukrainian rich.

In summary, in this Chapter I have delineated the early emergence, rise and further incorporation of oligarchic groups into the Ukrainian political system throughout the transitional period. I outlined the general interests of this politicized business group as a whole: seeking increased revenues, protection and influence in the corrupt business-government-business circle. Further, I specified the connections that the Orange leaders had to several key oligarchic figures. I concluded that based off of their primary business interests, in their predominance, the Ukrainian oligarchs tied to Yushchenko were in favor of keeping working and stable relationship with the neighboring Russia, whereas they were also increasingly more interested in expanding to new markets, with the EU prominently on the horizon.

Chapter 7

UKRAINIAN FOREIGN POLICY, 2005-2009

In Chapter 2 dealing with theoretical foundations of the current research, I have discussed some of the challenges that the foreign policy analysis as a field faces. Among them were the necessity to integrate multiple levels of analysis of foreign policy (actor, group, state and international) in a comprehensive theoretical framework; and the need to shed more light on political contexts of foreign policies in non-Western and non-great power states. My research is posed to make a mid-range theoretical contribution to these challenges as I decipher the Ukrainian foreign policy in the transitional years after the watershed Orange revolution.

In this sense, the Ukrainian foreign policy and its changes in transition years is my *explanandum*. It needs to be noted, as Breuning (2007, 7) aptly observes, that “foreign policy analysts do not always seek to explain the same thing.” She remarks that at times, when foreign policy is the focus of the explanandum, ‘choices,’ ‘decisions’ and ‘behavior’ could be easily used interchangeably, and yet there is a marked difference. Whereas foreign policy options refer to a range of possible choices, foreign policy decision is “the option that was chosen, i.e. the choice” (ibid). Foreign policy behavior is the acting out of the decision, which “consists of the actions taken to influence the behavior of an external actor or to secure a benefit for the country itself” (ibid). Yet, what also needs to be emphasized, she continues is that “much still can happen between the making of a decision and its implementation” (e.g. bureaucratic blocking or ignoring orders etc.), which means that at times “observed foreign policy behavior is not always exactly what the decision makers intended.” Furthermore, once a decision is taken and foreign policy behavior ensues, the resulting outcome may not necessarily align with the state’s

intended goal, because “foreign policy outcome” is yet a further abstraction and a result of interaction of two or more states.

This is an important point to bear in mind as I proceed to examine the empirical material pertaining to the Ukrainian foreign policy and its changes in recent transitional years. In the empirical Chapters 4-6, I have focused on *the foreign policy decision making as a process*, influenced by variety of individual-level factors (e.g. shortened time horizons for re-election), group-level factors (role of parties and party substitutes) and state level factors (state building and democratization efforts etc.). In my analysis, all these factors had their place and impact in the causal mechanism that I elaborated based on poliheuristic theoretical foundation.

In Chapter 7, my focus is different. I now proceed to examine *the foreign policy as behavior* exhibited at the state level. It should not be confused, however, with foreign policy outcomes, in line with the above discussion of by Marijke Breuning. Indeed, after policy options are formulated and decisions are made, an implementation stage ensues where actors strategically act or refrain from particular actions resulting in a behavior pattern. I treat such behavior as “strategically relational” where actors pursue attainment of their *goals* intelligible when analyzed *in relation* to their proper context (e.g. other actors) (Brighi 2013). This goal-oriented foreign policy behavior does not necessarily result in the desired foreign policy outcome, since its effects may be counteracted, mitigated etc. by other actors involved.

To underscore, my *explanandum* - the foreign policy behavior - are “those actions, which expressed in the form of explicitly stated goals, commitments and/or directives, and pursued by governmental representatives acting on behalf of their sovereign communities, are directed towards objectives, conditions and actors – both governmental and non-governmental –

which they want to affect and which lie beyond their territorial legitimacy” (Carlsnaes et al. 2002, 335).

In this line, I will look both at the stated goals as well as actions pursued by the official representatives of the Ukrainian government. In other words, the empirical material I deal with are both “verbalized” and stated goals in official documents, communications, etc. and “non-verbalized” actions - delegation visits, foreign trade inflows, cooperation projects, economic activities in energy sectors etc, as I clarified in Chapter 3.

Thus, this Chapter will proceed as follows. First, in subsection 7.1. I set the contextual background by examining the foreign policy in final years of Kuchma’s presidency. This purview is necessarily brief since it primarily serves to provide a backdrop for further analysis of the subsequent foreign policy of the Orange regime. In subsection 7.2 I will proceed to study both verbalized and non-verbalized foreign policy behavior of the Orange government and establish the level of change in the Orange foreign policy compared to the previous regime. Finally, I process trace the party substitute interests in the pursued foreign policy behavior in subsection 7.3 and show how oligarchs in question primarily benefitted from such policies.

7.1. Background: President Kuchma’s Foreign Policies - “Ukraine is Not Russia”

President Kuchma took over the leadership of the Ukrainian state when it was in a very precarious international position. Ukraine, situated on the proverbial borderlands of both the expanding European Union and the increasingly internationally assertive Russian Federation, had a difficult lot of potential cooperation and threats.

In 1997, one of the key elements in solidifying Ukraine's official international position was the signature of the Treaty of Friendship and Cooperation and Partnership between the Ukraine and Russia by President Kuchma and President Yeltsin. In this treaty, the post-Soviet border between Ukraine and Russia was officially recognized and the respect for territorial integrity between the two states was clearly articulated. However, the limbo of this mutual recognition dragged for almost another two years until the Russian Federation Council, the upper chamber of the Russian legislature, ratified the treaty in 1999. The Council also noted that the Treaty was a subject to a successful ratification of the concurrent agreements on the status of the Russian Black Sea Fleet that had been signed by the Presidents a few days prior to the Treaty itself.⁷⁷

With that, a major contention surrounding the status of the Russian Black Sea Fleet was being settled. The final solution was Ukraine's leasing the naval base to the Russian Federation until 2017. Nonetheless, territorial disputes simmering in the area continued. In 2003, a conflict over the Tuzla Island positioned in the Kerch Strait between the Ukrainian and Russian borders erupted when the Russian authorities started a dam construction in proximity of the island. The construction froze only a hundred meters short of the Ukrainian border patrol line, and initiated a vigorous array of diplomatic exchanges and military movements.

At the same time as Kuchma worked to solidify Ukraine's international position vis-à-vis its Eastern neighbor, he strategically intensified efforts to reach out to the European Union. Only a few months after the 1997 treaty with Russia, Ukraine held its first Ukraine-EU summit

⁷⁷ The full text of the document in Russian and Ukrainian respectively is available here:
<http://docs.cntd.ru/document/1902220>
http://zakon5.rada.gov.ua/laws/show/643_006

that was soon followed by the first meeting of the Council on Cooperation between the EU and Ukraine. It was in the format of this summit that Ukraine first pronounced its wish to become an associated member of the EU. Kuchma further increased his diplomatic efforts to reach out to the EU by issuing a Presidential decree on “The Strategy of Ukraine’s Integration to the EU” in June 1998. The response from the EU followed as the EU Summit in Vienna met and decided to develop its own response strategy on Ukraine. The EU partners announced the beginning of the free trade discussions with Ukraine at the EU Summit in Koln in 1999, and finally produced “Common Strategy on Ukraine” by the end of the same year.

Similarly, Ukraine-NATO relationships saw a number of milestones during the same time. In 1997 Ukraine signed a Charter on Distinctive Partnership with NATO and established its first diplomatic mission to this organization. The following year the NATO –Ukraine Joint Working group was established. In 1999, in the middle of growing tensions between NATO and Russia over Kosovo, a new NATO Liaison office opened in Kyiv. Following that, three hundred Ukrainian soldiers along with their Polish colleagues took part in NATO-led peacekeeping force in the Balkans the same year.

On the wings of such foreign policy steps towards closer relations with the EU and NATO, Kuchma ran for his second term in office in 1999 as a pro-European and Western-oriented candidate, in stark relief to his major Communist opponent. Such foreign policy positions turned out to be not consistent with the preferences of the Russian Federation for the Ukrainian foreign relations. Under the ascending Premiership of Mr. Putin, for the first time in 2000 “the geopolitical issues were linked to economic ones”: in the middle of negotiation for oil supply cuts from Russia, President Kuchma was pressured to “re-adjust” his western vector of Ukraine’s foreign relations and give more weight to cooperation with Russia (Sherr 2009,

171) . This was further underscored by the Russian pressure on Kuchma's government to dismiss a very pro-EU active Foreign Minister, Borys Tarasyuk in order to assuage Moscow concerns (ibid).

As the domestic crisis over Kuchmagate tapes gripped the country in 2000 and the subsequent waves of the anti-government protests ensued, the Ukrainian President found himself to be also facing an increasing international isolation: the tapes allegedly exposed his tacit agreement for Ukraine to supply intelligence equipment to Iraq, which went against the ongoing efforts by the US and the UK to disarm Iraq of its nuclear potential and biological and chemical weapons. President Kuchma's visit to NATO Summit in Prague in November 2002 underscored the Western states' dissatisfaction with Ukraine's foreign dealings. Kuchma had been asked not to attend, but he arrived at the Summit regardless. So, for the first time in the Summit's history the organizers changed the seating of the heads of states according to French, not English alphabet in order to prevent seating the Ukrainian president between the UK and the US leaders. This was widely seen as a sign of diplomatic ostracizing of President Kuchma.⁷⁸

Similarly, the EU-Ukraine relations suffered a setback with little or no progress made in 2002-2004 (Zagorski 2004). On one hand, EU was more vociferously articulating its discontent with growing authoritarianism of Kuchma regime (Tolstrup 2013). On the other hand, it was also due to an averted focus on the greatest enlargement in the EU history - ten new members were to join the Union in 2004.

⁷⁸ New York Times, November 23, 2002

In this context of growing isolation, Kuchma developed another orientation for Ukraine's foreign policy: the regional international cooperation to the exclusion of the traditional great powers. Thus, during the 55th Session of the UN General Assembly in New York, he worked with the leaders of Georgia, Azerbaijan and Moldova to form a new international organization "for democracy and economic development."⁷⁹ Several months later, in April 2001, these leaders were invited to Ukraine to sign the GUAM (after the first letters of the participating states)⁸⁰ founding document, the Yalta Charter. The Charter delineated trade, transportation and security issues areas of cooperation between the states. The energy security was also paramount, since all participating states, with the exception of Azerbaijan, were energy dependent on Russian gas and/or oil. Some analysts suggested that such organization was a statement to move away of Russia's proverbial "sphere of influence" and pursue policies without supervision or participation of this regional hegemon (Alyson Bailes, Baranovsky, and Dunay 2007, 180).

Thus, Kuchma's presidency showcased a foreign policy with a variety of highs and lows, with fundamentals of cooperation and some simmering contention. Forging its stakes as an independent international actor, Ukraine established key framework documents and mechanisms for its relations with multiple regional and international players – from Treaty of Friendship with Russia to strategic agreements with NATO, EU and GUAM, to highlight a few. Kuchma's foreign policy approach, thus, was often described as "multi-vector," i.e. pursuing multiple foreign policy orientations that might be deemed inconsistent due to the ideological aspirations that cannot be logically combined, such as allegedly selling Kolchuga radar systems

⁷⁹ This is taken from the Organization's motto.

⁸⁰ Uzbekistan was a member from 1999 to 2005.

to Iraq and courting NATO cooperation at the same time. Kuchma, in fact, prided himself on such “multi-vectorism,” considering it in hindsight to be “an important achievement” of his presidency (Kuchma 2006).

However, such approach, turned out to be ineffective as far as the desired foreign policy outcomes. Towards the end of Kuchma’s term, cooperation with EU and NATO was stalled. The US was open about its hopes for a more reformist next leader. And Russia challenged the Ukrainian economic and state sovereignty with gas and oil supply cuts and the Tuzla Island incident. Kuchma simultaneously sought to rectify these by seeking NATO Membership Action plan in 2004 and by sending the third largest military contingent to the US-led coalition forces in Iraq. Concurrently, Kuchma invited Russian politicians (e.g., Mr. Putin) to throw their support behind his protégé, a Ukrainian presidential hopeful, Viktor Yanukovych.

Kuchma courted the Russian policymakers with his 2003 book entitled “Ukraine is Not Russia,” printed in Ekaterinburg by a Moscow publisher (Kuchma 2003). At the book launch in the Russian capital, he attempted to smooth out sharp ethnic and international angles in the ongoing Russian –Ukrainian relations, albeit in his characteristic multi-faceted and multi-vektorial style. “A Russian democrat ends where the Ukrainian question starts” he quoted on one hand, but also reassured that “Any Ukrainian President will be Russia’s man in Kyiv, because other kind of man Ukraine will neither understand and nor accept” (“Ukraine is Not Russia:” What Leonid Kuchma Wrote About 2003).

This quintessential definition of Ukraine as a country and state from the negative, as in the title of the book - in other words of what Ukraine *was not*, rather than what it essentially *was* or, furthermore, could aspire to become on international arena - is a good metaphor summarizing Kuchma’s foreign policy. In 1994-2004 Ukraine managed to solidify its initial

recognition as a fully-fledged actor in post-Soviet international relations, distinct from other post-Soviet states. Yet it failed to define what precisely Ukraine sought as an international actor, i.e. what single-focused foreign policy goals it preferred, especially in the context when the EU was unprecedentedly enlarging on its borders, and Russia was seeking to play a role in Ukraine's domestic politics. Such was the foreign relations background against which the Orange president succeeded Kuchma and thus set out to fashion his own, new foreign policy that I analyze below.

7.2. “The European Ukraine” of President Yushchenko: Between Words and Deeds

When Viktor Yushchenko took power in January 2005 he was widely seen as a pro-Western candidate, with both EU and US global leaders cheering for his candidacy (albeit very cautiously on the part of EU⁸¹). The Russian media, to the contrary vilified him as “a puppet of the West.” Indeed, the presidential campaign and the Orange revolution brought into contrast two foreign policy orientations for the country to follow- towards the EU vs. Russia - in stark contrast to each other.

Prior to the Orange revolution, when the Ukrainian politics were taking on more authoritarian and oligarchic characteristics under the Kuchma regime, both the EU and Russia were engaged predominantly in their own version of “regime promotion” in Ukraine (Smith 2016). But the Orange revolution became a watershed event, and a new era characterized by some scholars as “the return of the geopolitics” dawned (Tolstrup 2013). In the triangle of the

⁸¹ See Tolstrup (2014, 158) for more details.

EU, Ukraine, and Russia, the zero-sum security perceptions started to figure more centrally in the tools of foreign policy towards Ukraine by the two power hegemonies who strove to construct their respective security systems with compliant Ukraine on their borders (Smith 2016).

Thus, Ukraine's "multi-vektorism" was not any more a palatable option for either side of the Ukrainian border. The EU was averse to Kuchma's threats in the late 2004 to reject Ukraine-EU Action Plan if concrete membership prospects for Ukraine were not spelled out. And when it was not, he went as far as to suggest that NATO and EU membership should be excluded from Ukraine's defense doctrine (Kubicek 2007, 135; Pentland 2008).

In Russia, the leadership was uneasy about the prospects of Ukraine's NATO membership, which would expand even more widely to the Russian borders after Estonia, Latvia, and Lithuania joined both EU and NATO in 2004.⁸² In addition, all other post-communist states acceding to EU in that time frame followed the similar pattern: Bulgaria, Romania and Slovakia became NATO members in 2004 and simultaneously either became a member of the EU or had Accession Treaties on the way. Ukraine's indeterminate "multi-vektorism" was an irritant in the Russian security calculations.

7.2.1. The Orange Government and the EU, 2005-2009: Foreign Policy Program Change

Scholars who commented on the post-revolutionary Ukraine-EU relations have conflicting evaluations as to the achievements and failures of Ukraine's foreign policy in this regard. Toslstrup (2013, 205), for instance, remarks that "[i]n the years following the Orange

⁸² Poland was already bordering Russia as a NATO member since 1999.

revolution, bilateral relations between Ukraine and the EU flourished.” Gretskiy (2013, 9) similarly remarks on a “new intensity and effectiveness of the EU-Ukraine relations, immensely boosted after the Orange revolution.” Kuzio (2012, 2015), however, notes that President Yushchenko’s foreign policy program was similar to the 5-year plans typical for the communist rule: they looked fabulous on paper, but in effect were an unattainable, half-empty rhetoric. Similarly, Dragneva and Wolczuk (2015, 36) also noted a gap between words and deeds of the Ukrainian leaders as far as their EU foreign policy is concerned, calling it a “declarative Europeanization.” Mychajlyszyn (2008, 49), on the other hand remarks that President Yushchenko’s policy towards EU was promising as regards Ukraine finally ending its post-Soviet security and identity “fluctuations” and firmly orienting itself towards the EU. Semeniuk, in contrast, midway through President Yushchenko’s term already assessed his failure to capitalize on the “Eurointegration” drive and deliver concrete achievements in the EU-Ukraine relations (2007, 128).

How are we to make sense of these contradictory assessments of Ukraine’s foreign relations with the EU during the presidential term of Viktor Yushchenko? The analytical framework that I use in this research helps to clarify this. As pointed out above, I make a distinction between Ukraine’s foreign policy behavior (verbalized and non-verbalized) and foreign policy outcomes (the results of the implemented foreign policies). For the purposes of this research, I examine the foreign policy behavior proper, noting any difference in “what is done, how it is done and the purposes for which it is done” (C. F. Hermann 1990, 5) - in both official communication (verbalized foreign policy behavior) and official institutional activities (such as delegation visits, cooperation programs, trade dynamic etc. - non-verbalized foreign

policy behavior). Such approach helps to detect any possible foreign policy changes and determine their level of magnitude.

As for the verbalized foreign policy towards the EU, Viktor Yushchenko ran on a presidential campaign that did not explicitly mention any foreign policy preferences. His program, “The 10 Steps Towards People” included the only reference to Ukraine as a “European” country. The 2004 presidential races, however, started to acquire a more contentious and polarizing character, especially after Viktor Yushchenko’s poisoning. Facing a clearly pro-Russian opponent, Yushchenko’s rhetoric regarding the democratic advancement and rule of law became quickly associated for both Ukrainian public and foreign observers with a pro-Western foreign policy orientation. Viktor Yushchenko embraced these electoral preferences and in his inaugural speech declared that “my goal is Ukraine in the united Europe” since “our [Ukrainian] place is in the European Union” because “together with Europe we [Ukrainians] belong to the same civilization and we share its values.”(Yushchenko 2004).

The 2005 Government Program for the Cabinet of Ministers prominently featured the “European integration” as “the priority for the Government’s work.” In fact, it was placed at the very top of the agenda in the Program’s section on world affairs. Furthermore, the Ukrainian government was cognizant of previous foreign policy discrepancies and stated in this Program that “[t]his government will move from its declaratory manner to concrete measures that will take the relations with the EU to the level of membership prospects” (Program of Activity for the Cabinet of Ministers of Ukraine “Towards People” 2005). Aware of the challenges of implementation, the Program also listed 13 action points for the Government. It included training of the staff to deal with the European integration issues; implementation of the existing EU-Ukraine Partnership and Cooperation Agreement (or PAC, signed by Ukraine in 1994, and

by the EU in 1998 for ten years). It also listed developing a new Strategy for Cooperation with the EU aimed at the prospective membership; and acquiring the “market economy” status in anti-dumping dealings with the EU. Finally, it aimed at establishing the “free trade zone” with the EU; and continuing to participate in NATO “Partnership for Peace” among else.⁸³

A range of other official Ukrainian documents soon followed treating the “Eurointegration,” i.e. the integration into the EU, in the same manner. My search of the electronic archives of the Ukrainian government yielded 364 documents that bear the “European integration” in their title from 1991 to present.⁸⁴ These include any documents that were issued by any state agencies with the status of “higher organ of state power,” according to the Ukrainian nomenclature.⁸⁵ It is interesting to note that prior to Kuchma presidency there were no documents that had European integration in their title. Other results are summarized in the table below:

⁸³ It is worth noting that whereas NATO and EU memberships are separate issue areas, in the Ukrainian perspective the relations with the EU the two are interconnected. They are often listed under the label of “evroatlantychnyi” i.e. Euro-Atlantic cooperation or integration. And even though EU and NATO membership for Ukraine have been separate processes due to the difference in the international actors involved, domestic popular opinion and regional dynamic, the two memberships are nonetheless often treated as concurrent in Ukrainian policymaking, as seen in this 2005 Program. The integration into the EU or “Eurointegration,” however, is featured more prominently in this document than NATO or US cooperation.

⁸⁴ My search of documents that included “European Integration” in the body of text yielded 3390 items. My choice of analyzing only the documents with “European integration” in the titles stems from the fact that many of these documents cite each other in the body of their texts, therefore multicollinearity is introduced. The online archive of the official Ukrainian documents (<http://zakon2.rada.gov.ua/laws>) does not allow to resolve it in the existing format. A future research project may address that challenge.

⁸⁵ Some agencies, for instance do not have “Ministry” in their title, but are considered “higher organs” such as the Office of the President of Ukraine, Verkhovna Rada of Ukraine, National Bank of Ukraine etc., a total number of 19 governmental bodies. Records of the Ministry of Economy are available only starting from 2005.

Table 7.1. Government Document Activity on European Integration, 1994-2017

President Name	Number of Documents (N)	In office Term (dates)	Length of term excluding weekends and public holidays (L)	Raw document per day rate (N/L)
Leonid Kuchma	199	07/19/1994-01/22/2005	2645	0.07
Viktor Yushchenko	95	01/23/2005 – 02/25/2010	1279	0.07
Viktor Yanukovych	13	02/26/2010-02/22/2014	1000	0.01
Maidain Transitional Government and President Poroshenko ⁸⁶	58	02/23/2014-06/17/2017 ⁸⁷	824	0.07

As we see from the table, in general, the document activity of government agencies issuing documents that had “European integration” in their title was practically similar during both Kuchma and Yushchenko terms. However, during Yanukovych term the European integration dropped in title mentioning by the government agencies significantly - by seven times. Granted, this statistic is meant to reflect only the thematic direction of documents and does not differentiate as to the level of importance of documents (e.g. a Law of Ukraine vs. a

⁸⁶ I include this category of post-2014 Transitional government and President Poroshenko’s current tenure for comparative reasons. The latter’s foreign policy is very strongly pro-European and pro- Euro-Atlantic integration, given the annexation of the Crimea and the conflict in the Eastern part of Ukraine. Maidan is the shortened name for Maidan Nezalezhnosti (the Independence Square), the heart of the protests in 2004 and 2014-2015. “Maidan” now also denotes in the contemporary Ukrainian language a popular protest and aspirations for political change.

⁸⁷ This is the date of my most research search, but Poroshenko’s government is still in office as of the time of writing of this paper.

Memorandum of Understanding with Country X vs. a Presidential decree etc.). Such an analysis may prove to be fruitful for future exploration. Another caution in interpreting these results should be taken as regards any amended versions of the same document: such amendments are not included in this statistic. For instance, the Law of Ukraine on State Program for Adaptation of the Ukrainian Law to the European Union Law was signed into force by President Kuchma on March 18, 2004, about 10 months before he left office. It appears as one of the documents with the “European integration” in the title among the listed 199 items. Later, this Law was amended three times, once during Yushchenko’s term in 2009, and twice during Yanukovich’ term in 2010 and 2011. These amendments are not included in the respective counts for the two Presidents however, since they are not coded under a new number in the Ukrainian documentation system. Hence, what Table 7.1 reflects, in essence, is new initiatives that necessitated the issue of new documents during the term in office.⁸⁸

As for the non-verbalized foreign policy behavior, I examined an annotated chronological register of the Ukrainian international relations. This register is the official publication of the National Academy of Sciences of Ukraine, compiled by the Institute of History of Ukraine, the highest research institution in Ukraine. Their historical series on the Ukrainian foreign relations is comprised of three volumes, covering the periods 1991-2003, 2004-2007 and 2008-2013. These chronological registers have a format of a list of events in

⁸⁸ To note, some of the ‘new’ documents included in this group of 364 items are issued to abolish old initiatives, and they are included in this count since the Ukrainian nomenclature assigns a new identification number to a document that reverses the force or abolishes an existing document. However, if an existing document is amended, it is not considered ‘new’ to the system, but receives an extended number from the original document. Thus, to a degree Table 7.1 reflects an activity to completely reverse a predecessor government actions, but not to tweak it. However, from my preliminary analysis such acts of reversals constitute about 7% of the total number of items. Another future research project could potentially explore the dynamic of how many EU-issue related documents from one regime were *amended or abolished* by the subsequent one, but such exploration is presently out of scope of this dissertation.

Ukraine's relations with a particular country. Ukraine's relations with each country are then grouped according to the regional and geographical principle. Ukraine's foreign relations with the EU are listed in addition to Ukraine's relations with each EU member.⁸⁹ The events included in these registers are of varied nature and not limited to the official visits and meetings of the Ukrainian government representatives and respective officials of a given state, but also include momentous cultural events shared by the two countries; visits and cooperation between political party leaders and local self-governments; and other various events that pertain to Ukraine's relations with that country. These three publications of the National Academy of Science draw on the official printed press of the Cabinet of Ministers of Ukraine, Verkhovna Rada of Ukraine, as well as on news from the official websites of the Ukrainian agencies.⁹⁰

According to this chronology, 185 events are listed in Ukraine's relations with the EU during Viktor Yushchenko's term. These events include diverse level executive and legislative delegation visits and meetings of Ukrainian and the EU representatives; signature of official documents; key announcements related to financial and technical aid as well as cooperation projects. In order to establish how this level of activity is indicative of a foreign policy change, I am guided by the categorization developed by Hermann (1990) discussed in Chapter 2 (adjustment change, program change, goal change and orientation change).

Earlier in this Chapter I showed that the EU integration was indeed part and parcel of Kuchma's foreign policy. Therefore, Yushchenko's foreign policy change cannot be qualified as "orientation change" which would involve a complete redirection in actor's orientation towards

⁸⁹ Ukraine's relations international organizations are listed in this source separately as well.

⁹⁰ The authors of this publication discuss their sources and selection method in the preface to the second publication in the series covering 2004-2007.

worlds affairs. Similarly, Yushchenko's intensified EU integration efforts are not a goal change of foreign policy. Indeed, I have demonstrated that such goal had been articulated in prior official Ukrainian documents, even if it stayed at the level of proclamation rather than serious implementation. On the other hand, such policy change is not quantitative (in terms of the number of document activity of under Yushchenko), and thus cannot be defined as an adjustment change. Rather, there is marked difference in means and methods applied to achieve the same goal of the EU integration under President Kuchma vs. President Yushchenko. It points me to the conclusion that the Ukrainian foreign policy experienced a PROGRAM CHANGE after the Orange revolution.

Further evidence from the Ukrainian foreign policy during this time also points in this direction. The new means and methods included the initiative of the Orange regime to incorporate the EU integration goal into the very depths of its bureaucratic machinery. In particular, in 2005, the government created the position of a Vice prime minister for European integration, answerable to the Prime Minister of Ukraine. Further, for the first time in April 2005, having signed a new EU-Ukraine Action Plan, the Ukrainian government had a mechanism of its implementation with the so called "roadmaps" for 2005 and 2006. The itemized activities were detailed for specific agencies to meet the expectations of the Action plan for various sectors and issues, such as the rule of law, the accession to World Trade Organization and removing trade restriction between Ukraine and the EU among else. These were concrete templates against which both parties could now evaluate progress or stalemate in their relations that had not been in place before.

Another new mechanism was employed to harmonize the depths of the Ukrainian bureaucratic procedures to the EU standards and procedures at the level of diverse agencies. The

EU Twinning program, originally developed to bring new candidate members in compliance with the EU set of rules, directives, laws and regulations (*acquis communautaire*) was extended to Ukraine. Twinning programs aimed to deepen administrative, regulatory and procedural harmonization of the Ukrainian sectoral agencies and their policies with the corresponding EU ones by ‘twinning’ respective Ukrainian agencies with those of an EU member state. The areas of twinning Ukrainian sectors ranged from aviation to agriculture, rule of law and the training of civil servants etc. Twenty-seven Twinning projects were identified for potential cooperation in 2006 and four of them were in active preparation the same year. Six were launched into the implementation stage the year after. By the end of 2010, ten Twinning projects of pairing Ukrainian and EU agencies were completed, eight were ongoing, with additional twenty-three in preparation by the end of Yushchenko’s term.⁹¹ In 2007, the EU spend 20 million euros on Twinning in Ukraine, and that budget increased to 21 million the subsequent year and thus continued as the program grew to today’s 61 Twinning project.

Twinning is not the only instruments that were implemented in Ukraine as a way to upgrade Ukrainian public administration according to the EU standards. However, out of 200 EU technical assistance projects in Ukraine with a total budget of 262.7 million euros, the Twinning program constitute one of the most significant part of Ukraine-EU institutional relations up until present day (Ministry of Foreign Affairs of Ukraine 2017).

What is important to draw out of this empirical example is that indeed, the foreign policy of Ukraine towards the EU started to include some “new methods and means” by which

⁹¹ Detailed information may be found at the official website of the Ukrainian Center in charge of implementation of the EU institution building programs in Ukraine: <http://www.center.gov.ua/en/press-center/articles/itemlist/category/77-twinningfg>

the relations were built between the two actors which testifies that the foreign policy change was that simply an adjustment, but a *foreign policy program change*, where goals remained the same (the EU integration), yet “what was done and how it was done” shifted (C. F. Hermann 1990).

Many analysts and disappointed Yushchenko’s voters commented on the lack of highly visible achievements in the Ukraine-EU relations during President Yushchenko’s term at the backdrop of his own presidential pronouncements in this regard. Some fault the domestic Ukrainian political feuds, including contentious cohabitation, snap elections of 2007 and the infighting in the Orange camp. Other point out that the Ministry of Foreign Affairs rotated between six Ministers during Yushchenko’s presidency (including a repeated term for Mr. Ohryzko). Whereas such domestic political circumstances along with the global financial crisis did add to Ukraine’s uncertainty of the political transition, it would erroneous to equate the lack of desired foreign policy outcomes for Ukraine (the EU membership) with the lack of effort on the Ukrainian part.

Indeed, in some areas, the EU and Ukraine were able to achieve unprecedented progress. Among them are the EU acknowledgement of Ukraine’s status as a “market economy” in 2005 and a new agreement to substitute 1994 Partnership and Cooperation Agreement and to spell out Ukraine’s associated membership in the EU. The latter was brought up for discussion in 2007 and saw over 11 rounds of negotiations by the end of 2011. It included the discussions of establishing a free trade zone between Ukraine and the EU that was initially linked to Ukraine’s obtaining membership in the World Trade Association. Ukraine and EU also held 7 summits in 6 years of Orange presidency as opposed to 7 summits in Kuchma’s previous ten years.

Such foreign policy outcomes should be regarded as a result of the EU-Ukraine's interactions, rather than simply Ukraine's action or lack thereof. Indeed, on the part of the EU I observe some controversial positions on Ukraine's integration. For instance, in January 2005 the European Parliament lauded the achievements of the Orange revolution and urged the EU Commission to give Ukraine a "European perspective" that would "possibly ultimately leading to the country's accession to the EU."⁹² But the Commission was far more concerned with challenges of integrating the newly accepted members and dealing with the global financial crisis in order to provide Ukraine with any concrete membership language in any of its documents. The disappointment on the Ukrainian side grew to the point that in 2006 Viktor Yushchenko threatened to withdraw one of his new means of integrating closer with the EU: the visa-free travel for the EU citizens to Ukraine.

Instead, the European Commission was more comfortable dealing with Ukraine through its "less than integration" format, namely its newly launched in 2007 European Neighborhood Policy. In this policy Ukraine was treated under Eastern Partnership umbrella, along with Armenia, Azerbaijan, Belarus, Georgia and Moldova. European Neighborhood Policy provisioned "all but integration" with the neighborhood states. In other words, while encouraging their domestic democratic reforms, rule of law and economic development to reach EU standards, the EU was not committing to give them a share in any of its political decision-making aspects, security guarantees, or its structural funds.

To summarize, although Ukraine-EU relations during the Orange regime received a controversial treatment in both academic literature and public sentiment in Ukraine, I have

⁹² Full text of the document is available here: <http://www.europarl.europa.eu/sides/getDoc.do?pubRef=-//EP//NONSGML+TA+P6-TA-2005-0009+0+DOC+PDF+V0//EN>

shown that distinguishing between foreign policy behavior and policy outcomes helps us to disentangle such assessments of foreign policy change in the transitional Ukrainian context. The verbalized foreign policy behavior of Ukrainian president and its Orange government examined here illustrated that Viktor Yushchenko built on the previous EU-vector initiated by President Kuchma. The close examination of the new initiatives by the Ukrainian post-revolutionary government, such as visa-free travel to the EU citizens, Vice-Prime Ministerial Office for EU integration, and the launch of Twinning projects, showcases that the Ukrainian foreign policy during that time experienced a change not in its goals or orientations, but rather in means and methods as regards the EU integration prerogatives. Such efforts represent a foreign policy PROGRAMME CHANGE. Although the Ukrainian foreign policy change towards the EU did not produce the stated outcome of clear membership path towards the end of Yushchenko's presidency, this is due to the complexities of implementation in interaction with the EU partners and their policy preferences towards Ukraine⁹³.

I will now turn my attention to another 'vector' of the Ukrainian foreign policy inherited by the Orange regime, its relations with the Russian Federation in 2005-2009. I will look at the development of verbalized and non-verbalized Ukrainian foreign policy behavior in this regard and will then process trace party substitutes' interests in Ukraine's foreign policy towards the EU and Russia in completion of this chapter.

⁹³ Voznyak (2010, 170–71) analysis agrees with my conclusions. He writes: "Now [in late 2009] everyone understands the failure of the Ukrainian Eurointegrational and Euroatlantic plans is caused not only by the incompetence of the Ukrainian leadership but also by the blockage of these processes on the part of the main actors in the EU, in particular, by Germany and France."

7.2.2. Ukraine and Russia, 2005-2009: A Foreign Policy Tango of Readjustment Change

While Ukrainian relations with the EU were predicted to grow following the Orange revolution, the relations with Russia were left in a very ambiguous state. On one hand, with the Russian authorities clearly banking on Yanukovych victory and conspiracy theories circulating about Moscow's a hand in poisoning Viktor Yushchenko, the Orange leaders were perceived to have a position of non-accommodation for the Russian hegemony in the region. Unhelpful in that regards were the widely circulated statements of the Russian leaders that the Orange revolution, along with the Rose revolution in Georgia and the Tulip revolution in Kyrgyzstan, were stirred by the Western agitators in order to destabilize the regional order to the Russian disadvantage. To see whether the Ukrainian foreign policy towards Russia indeed, experience a marked change, I will now examine the verbalized foreign policy of the Orange leaders and the government similarly to my analysis of Ukraine-EU relations in the section above.

Viktor Yushchenko's electoral program was as empty of promises on the count of relations with Russia as it was on the count of the EU. There is no mention of foreign policy goals, priorities or implementation in his "10 Steps Towards People" document. Yushchenko's inaugural speech does mention in very broad terms that Ukraine will continue to develop "stable cooperation with all states," including "our neighbors to the East and to the West" (Yushchenko 2005). However, since his rhetoric continues to press on the importance of integrating in the "European family of nations," and does not mention Russia by name, such omission is to a degree an indication of change from the foreign policy rhetoric of Kuchma. Kuchma, as I have discussed, had purposefully courted the Russian public and policymakers and even instituted 2004 as "The Year of Russia" in Ukraine, replete with diverse cultural events.

In the 2005 Government Program for the Cabinet of Ministers, “Towards People,” the relations with the Russian Federation are discussed towards the end of the document, followed by the very last section on Ukraine’s wider regional collaboration. The program calls for “equal, mutually beneficial and predictable” relations with Russia and apart from rather generic language of cooperation, singles out free trade zone “without exceptions or limitations,” as well as “mutually beneficial” energy sector cooperation and transborder collaboration - all very vital issues in Ukraine-Russia relations (Program of Activity for the Cabinet of Ministers of Ukraine “Towards People” 2005). The language of the document in this section is without platitudes. The excerpt on Russia is limited to 60 words compared to almost 3.5 times longer section on the European and Euro-Atlantic integration in this 10,054 word –long document.

As for the document activity of the Ukrainian government agencies mentioning the Russian Federation in their titles, my search of the electronic database of the Ukrainian government archives yielded a total of 1,352 documents within the date range of post-independence 1991 through mid-June 2017. This is almost 1,000 documents more than what I retrieved with the “European integration” mentioned in the title of the documents. However, in contrast to the European integration, the legacy of economic, border and political connections between Ukraine and Russia necessitated document activity in the Ukrainian officialdom right after the fall of the Soviet Union. The results are summarized in the comparative table below.

Table 7.2. Government Document Activity on Russian Federation, 1991-2017

President Name	Number of Documents (N)	In office Term (dates)	Length of term excluding weekends and	Raw document per day rate (N/L)

			public holidays (<i>L</i>)	
Leonid Kravchuk	199	08/24/1991- 07/18/1994	732	0.27
Leonid Kuchma	679	07/19/1994- 01/22/2005	2645	0.25
Viktor Yushchenko	205	01/23/2005 – 02/25/2010	1279	0.16
Viktor Yanukovych	211	02/26/2010- 02/22/2014	1000	0.21
Post-Maidain Transitional Government and President Poroshenko	58	02/23/2014- 06/17/2017	824	0.07

As seen from the table above, both President Kravchuk and President Kuchma governments had similar raw rate of new document activity that mentioned the Russian Federation in its title. However, during Yushchenko's term we observe a 36% drop in such level of activity by the governmental agencies. It is not that the Russian Federation disappears from Orange government agenda completely, or is subject to very low new document activity. Indeed, drawing on current knowledge of the antagonism of the post- 2014 Maidan transitional government and President Poroshenko's foreign policy towards the Russian Federation over the Crimea and militarized hostilities in the Eastern part of Ukraine, one can conclude that contentious foreign policy agenda towards Russia could be characterized with much lower measures (0.07 in this case). However, this is not what I observe with Yushchenko's government document activity. His government document activity on the Russian Federation was indeed, the lowest since the collapse of the Soviet regime. But during Yanukovych's term it

quickly regained its place in the Ukrainian officialdom and went up to almost the pre-Orange government levels.

The non-verbalized foreign policy behavior, according the above mentioned chronicle of Ukraine-Russia relations, constitutes 294 events. Of course, this count is only helpful in estimating a general level of engagement and does not indicated whether the quality of these events was aimed at building more cooperative or stirring more contentious relations between the given set of states. For such analysis, a closer in-depth exploration of the events is necessary.

Thus, for instance, on the very first day in office, right after his inauguration Viktor Yushchenko flew to Moscow in order to meet with Vladimir Putin. Such urgency put all other Ukrainian state affairs on hold including the formation of a new Cabinet of Ministers etc. But it also showed that the Orange President placed a great priority of building relationship with the Russian Federation. However, the very format of such meetings and visits between the two statesmen changed. In fact, one of the most widespread previous formats of presidential meetings between the Russian and Ukrainian top leaders was the so-called “diplomacy without ties” (Vidnianskiy et al. 2014). In such meetings the two state leaders would one-on-one settle any contentious sectorial issues during a more informal and relaxing time, reminiscent of how issues within the executive wings of the former Communist Party were settled during the Soviet period.

And even though mutual visits to Kyiv and Moscow continued, such specific format was lost. Instead, in May 2005, the heads of the two states established a more formal body, the Yushchenko-Putin Committee of Cooperation, with sectorial subcommittees covering some corresponding areas of the Ukrainian-Russian relations. However, the Committee was

ineffective in swiftly addressing any issues that arose between the states from disagreement on demarcation of the state borders, objection to Sevastopol Fleet participating in Russo-Georgian war of 2008 and others. Furthermore, the Committee's work was sometimes used as a premise to postpone the personal meeting between the leaders themselves. The Russian side, for instance, in November 2006 considered that all issue subcommittees needed to hold their meetings prior to fixing a date for President Putin's visit to Ukraine (ibid, 251). In addition, the Committee's meetings were infrequent to solve a variety of situations and minor or larger conflicts that arose such as gas disputes of 2006 and on; meat, milk and metallurgy trade wars and so forth.

At the same time the frequencies of meetings between the heads of states subsided: Presidents Kuchma and Putin a total of 14 times by the end of 2004; whereas after Yushchenko took power, Putin visited Ukraine as a President only two times - once in 2005 and once in 2007, skipping 2007 and 2008. However, the Ukrainian side continued to send representative of all levels to Moscow with official visits, including frequent meetings of Prime-Minister Yulia Tymoshenko. The latter generated a range of suspicions and speculations by analysts and President Yushchenko alike as to her loyalties to the Ukrainian interests rather than promoting her own political candidacy with implicit support of the Eastern neighbor.

In Mr. Putin's assessment, such work in personal meetings with President Yushchenko and Yulia Tymoshenko was a normal conduct of foreign affairs, despite the fact that he considered the election of Yushchenko in a third round "unconstitutional." "We argued, and argued bitterly at times on economic issues, but we did cooperate" was the summary assessment by Putin of Ukrainian-Russian official meetings during the Yushchenko years (Putin to Ukrainians: You Will Turn This into Iraq and Libya for US! 2015).

Hence, overall, in foreign relations of Ukraine towards Russia, there was both quantitative and qualitative decrease in verbalized and non-verbalized foreign policy behavior exercised by the Orange government. Indeed, as we see in the rate of new document activity subsided and the number of chronological events experience a drop, whereas the efforts put towards the proclaimed neighborly good relations diminished. In this sense, I categorize the Ukrainian foreign policy change towards Russia as an ADJUSTMENT CHANGE. There was no reorientation or a goal change in terms of how Ukraine envisioned its affairs with the Eastern neighbor. It aimed at “equal” and “mutually beneficial” relations and pursued these goals with grossly same methods that generated the same non-verbalized activities. Namely, having examined the record of chronological activities in Ukraine’s relations with Russia, I find continued cooperation between Ukrainian and Russian local self-governments, party leaders and trade union delegations; and cultural exhibits on topics form the Russian history in Ukraine or Ukrainian history in Russia etc.

Here, again, it is worth noting that foreign policy outcomes are not a direct result of an implemented foreign policy. Indeed, the outcomes of the intended goal of “treating Russia as any other great power state” in mutually beneficial neighborly relations were far from achieved. To the contrary, some experts remark that the Ukrainian relations with Russia during the presidency of Viktor Yushchenko hit a remarkable low. Certain international developments contributed to such deterioration. First, when the Russo-Georgian war erupted in August 2008, Ukraine took the Georgian side and demanded that the Sevastopol-based Russian Fleet inform the Ukrainian authorities of its prospective moves. And even though Russian and Ukrainian sides started the inventory process of the Black Sea Fleet and continued to negotiate on the Azov Sea Crimean border between the two states, in 2005 the Russian side explicitly raised a

concern of possible NATO ships entry into these waters per Ukrainian cooperation with NATO.⁹⁴

Further unhelpful were the ongoing energy disputes over gas supply to Ukraine and gas transit to Europe through Ukraine. Other specialists have thoroughly treated this subject elsewhere (Balmaceda 2013a). There is no analytical need for a detailed description of Ukraine-Russia gas disputes at this moment. Suffice it to say that in the context of predominant energy dependence on Russian gas, both for its communal heating purposes and for industrial production needs, the Russian Gazprom position of continued pressure to raise gas prices was viewed as in violation of previous agreements by the Ukrainian side. On the other hand, the Russian previous accommodation for lack of timely payments from half-empty Ukrainian government coffers was considered no longer tenable for Russia. It was especially so in the context of what Russia perceived as continued Ukrainian drift towards the West and its security architectures. Hence, similarly to what I have discussed under President Kuchma, the Russian gas supply was used towards a geopolitical goal of achieving a more politically compliant Ukraine in terms of its foreign policy orientations according to the Russian preferences. Ukraine, on the other hand, attempted to sabotage such influence by cutting the levels of transited gas to the European states. Finally, the cyclical gas disputes of 2005-2006, 2007-2008 and 2008-2009 were to a degree stabilized by Tymoshenko-Putin agreement of 2009.

⁹⁴ Ukraine's position on NATO was not consistent during the Orange years. For instance, in April 2005 the Minister of Foreign Affairs of Ukraine, Mr. Tarasyuk informed Mr. Lavrov, the Minister of Foreign Affairs of Russia, that Ukraine may become a NATO member as early as 2008. Due to the conflictual position on this question within Ukrainian domestic actors, when Mr. Yanukovich became a Prime-Minister, he paused such process by saying that Ukraine needs to hold a referendum on the issue. Ukraine's NATO membership was a key contentious point for the Russian leadership, as mentioned above. President Putin, remarking later on the occasion of the Crimean republic joining the Russian Federation referred to these security concerns as well due to the Ukrainian revolution of 2014.

In addition, the Russian ban on Ukrainian dairy products and meat in 2005 and 2006, and again for dairy in 2008, as well as some heavy metal products and pipes were deemed by analysts as a way to force Ukrainian producers to realize that their distribution chains would suffer unless they turn away from the Russian market and the Eurasian Custom Union. The latter what of strategic importance for the Russian Federation who was urging Ukraine to join it in order to counterbalance the EU market.

In addition, the Russian leaders reacted very acutely to elements of cultural domestic policies that Viktor Yushchenko promoted. A range of domestic memory politics that Yushchenko pursued stemmed from his ideological position. Yushchenko preferred to embrace complex and entangled ethnic and linguistic history of Ukraine, rather than stick to its ‘purged’ communist version. Whether it was his promotion of the recognition of Ukrainian famine of 1932-1933 enforced by Communist authorities as a genocide against the Ukrainian people; or his acknowledgement of the Ukrainian Rebel Army and its leaders fighting against the Polish, German and Soviet troops around WW2 as Ukrainian national heroes at the state level among others –these Ukrainian domestic historical and cultural policies proved to be symbolically important issues to Moscow.

Finally, Ukraine-Russia’s relations reached a boiling point when President Medvedev decided to address the Ukrainian people in his open letter to President Yushchenko on August 11, 2009. He berated the Ukrainian side-taking in the conflict with Georgia, warned against Ukraine’s “stubborn policy of seeking to join NATO,” disapproved Ukraine’s manipulation of gas transportation systems and was appalled at the “exaltation of the role of the Ukrainian nationalists” along with the characterization of the famine as genocide by the USSR towards Ukraine. He also underscored the unwelcomed - by the incumbent Ukrainian government -

treatment of the Russian Orthodox Patriarch in his recent visit to Ukraine (Yushchenko had prepared a grand celebration of the Christianization of Kyiv in 2008 with the participation with Ecumenical Patriarch Bartholomew instead). In brief, with such long list of concerns the Russian president decided not to appoint a new Ambassador to Ukraine, until “there are genuine improvements in Russian-Ukrainian relations” (Medvedev 2009).

Despite such strong pronouncements, Ukraine continued to use the same foreign policy tools. Mr. Putin and Mrs. Tymoshenko met 20 days later in Poland. The Ukrainian and Russian foreign affairs chiefs had a meeting a month later on border cooperation. Ukraine (again) changed its Minister of Foreign Affairs. And the gas talks were resumed in Moscow in late November 2009. This was similarly followed several days later by Putin-Tymoshenko meeting in Ukraine. And after both Yanukovych and Tymoshenko both made it to the second round of the presidential elections on January 17, the Russian Federation sent its new Ambassador to Ukraine within a week.

To sum up, the Ukrainian post-revolution foreign policy verbalized and nonverbalized behavior demonstrates that the same goals and orientations were persistent on Ukraine’s foreign policy agenda as regards Russia. Likewise, the same means and methods were employed to achieve them, such as negotiations, meetings, change of key foreign affairs figures, and signature of documents in regards the (same) energy, border, trade or the Black Sea Fleet issues. The change in the Ukrainian foreign policy that did occur in this regard was that of an adjustment, of a decreased effort put into the same means and methods of implementing unchanged foreign policy goals.

In that sense, “the controversial elections of 2004 harkened an era of “Europe *and* Russia” (Mychajlyszyn 2008, 48). But because Ukrainian foreign policy was now facing

different set of expectations and perceptions both in Moscow and Brussels than those that were during Kuchma's term, some of the stated foreign policy outcomes were either unattainable or failed to materialize. Smith (2016, 127) puts it this way: "due to the prevailing geopolitical environment and the identity and perceptions of each actor, clear zero-sum behavior was present in the security policies of the EU and Russia in Ukraine, despite Ukraine's preference (and attempt) to have strong political relations with both Brussels and Moscow."⁹⁵

My conceptual distinction between the foreign policy behavior (verbalized and non-verbalized acts) and foreign policy outcomes helps to understand why despite increased effort in one direction Ukraine experienced only modest achievements and with a small adjustment in its policy to Russia reaped significant worsening in the bilateral relations. The next subsection of this chapter will examine the oligarchic interests present in these foreign policy changes.

7.3. *Oligarchic Interests in Orange Foreign Policy Change: The Economic Argument*

In the last two subsections, I have established that the Ukrainian foreign policy during President Yushchenko's years experienced a change of a smaller degree. As regards the

⁹⁵ As a separate vector in Kuchma's foreign policy we have observed the regional cooperation to the exclusion of Russia, EU or USA, such as GUAM. As for Yushchenko's policy in this regard, it has been noted that Ukraine's relations with the Commonwealth of Independent States and GUAM significantly subsided, with lack of significant progress in Ukraine's participation in either (Vidnianskiy et al. 2014). Nonetheless, Viktor Yushchenko did attempt to construct a new international organization, "Community of Democratic Choice" in Kyiv, in 2005 with participation of Georgia, Moldova, the Baltic states, Romania, Macedonia and Slovenia. Yekelchik describes such project as an attempt at regime promotion and cites in this regard Yushchenko's post-Orange revolution visit to Washington DC, during which the Ukrainian president "self-assuredly discussed with President George W. Bush how Ukraine and the United States could work together to "support the advance of freedom" in Cuba and Belarus" (2015, 96). However, while such regional cooperation minus Russia is not a new foreign policy direction for the Ukrainian foreign politics, it appears that it was given very small attention and/or effort, since in the end the organization basically folded and held its third (and last on record) meeting May 2006.

integration with the European Union, it was a program change. Towards the Russian Federation, Ukraine undertook an adjustment in its foreign policy. What follows from the causal mechanism that I elaborated in the previous chapters, is that foreign policy when conducted in the conditions of transitional uncertainty could be traced to the interests of the party substitutes, i.e. of oligarchic preferences in our case of Ukraine. This is the objective of the current subsection: to process trace such evidence.

Thus, in the previous chapter I have shown that the profit-driven interests to protect their wealth brought the Ukrainian oligarchs to accumulate political protection and power. This process in turn gave way to molding policies and politics for them to accrue larger economic assets and profits. To continue from this point, I need to trace these interconnected interests of oligarchic profit and power in the set of foreign policies that Ukraine pursued towards the EU and Russia. Two levels of evidence could be helpful in this connection. One is found at the state level that would include a macroeconomic evaluation of the Ukrainian situation following the Orange revolution and analyze it in terms of whether the large accumulated capital in Ukraine did indeed benefit from intensified integration with the EU (program change) and from a moderation in relations with Russia (adjustment change).

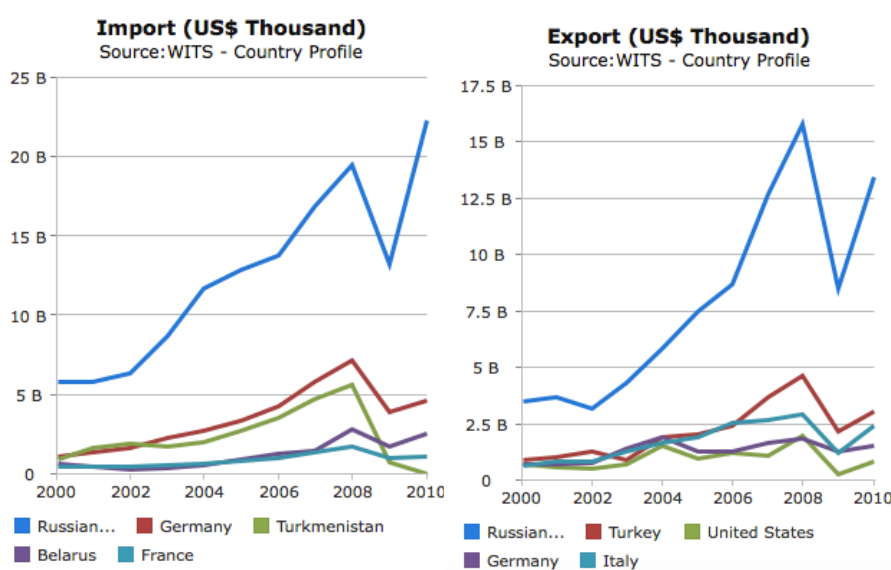
The second type of evidence, more closely connected to my main line of argument, is be at a lower, individual level of analysis that looks at specific personal economic interests that the oligarchs connected to the Ukrainian foreign policymakers had in Ukraine's integration with the EU and cooperation with Russia.

As for the macro-level economic situation in Ukraine, I turn to the trade dynamic of Ukraine with its major partners over the span of 2004-2009, paying a special attention to the

years of 2005 (beginning of Yushchenko's term); 2008 (global financial crisis); and 2010 (end of Yushchenko's term).

Thus, in terms macroeconomic situation, overall Ukraine had a strong export portfolio that is relatively well diversified. On economic complexity index (ECI) which measures the production characteristics of large economic systems, in 2004 Ukraine was ranked as world's 32 most complex economy, right behind Brazil, Portugal and Russia. Its ranking dropped to 41st place in 2008 and remained there in 2010.⁹⁶ Ukraine had 168 import and 171 export partners in 2004, and these numbers grew to 194 and 190 respectively by the end of 2010. However, geographically, Ukraine's trade relationships in their majority were dominated by a handful of actors, where the Russian Federation played a major role throughout the timeframe under discussion. As seen from figure 7.1, the Russian Federation figures prominently in the first place for all Ukrainian imports and exports during this time.

Figure 7.1. Ukraine's Largest Trading Partners, 2000-2010

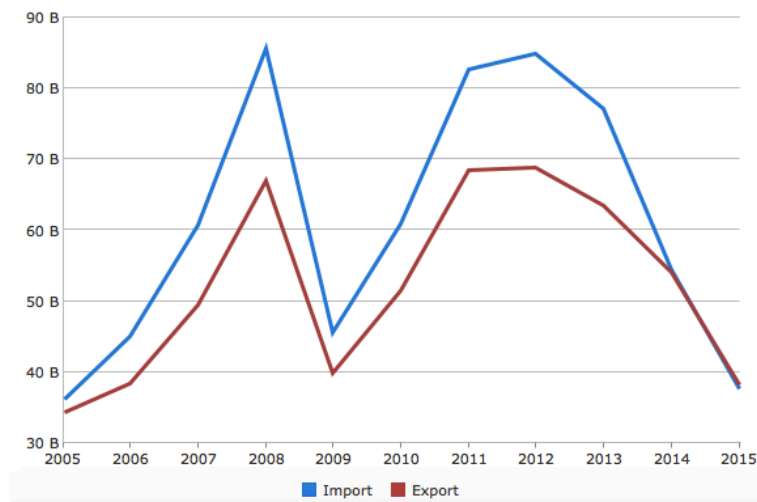


⁹⁶ According to <http://atlas.cid.harvard.edu/rankings/country>

Source: World Integrated Trade Solutions Database by World Bank.

Overall, Ukraine has experienced a negative trade balance in its recent history, as seen in Figure 7.2. It only closed the trade balance gap in the last three years, after both import and export from Russia subsided due to the conflict in the Eastern Ukraine.

Figure 7.2. Ukraine's Trade Dynamic, 2005-2015 in billion USD



Source: World Integrated Trade Solutions Database by World Bank.

The Ukrainian producers had a lot to offer to Russian markets. In fact, in the context of high standards, regulations and tariffs from the EU, Russia's share in the Ukrainian export showed a good growth dynamic in 2000-2010. Ukraine's export bounced back promptly despite the effects of the global financial crisis, as evident from graph 7.4. This export primarily consists of metals and machinery, and for Ukraine, Russia far outstrips any other partner in these two categories. Russia held first place for Ukraine's export of metal all the time throughout 2005-2010, followed not very closely by Turkey. And in machinery and electronics, Russia leaves behind any other Ukrainian partner by a magnitude of 3 to 6 times in trade volume over the investigated timeframe.

Figure 7.3. Russia's Share in Ukraine's Total Export, 2000-2010

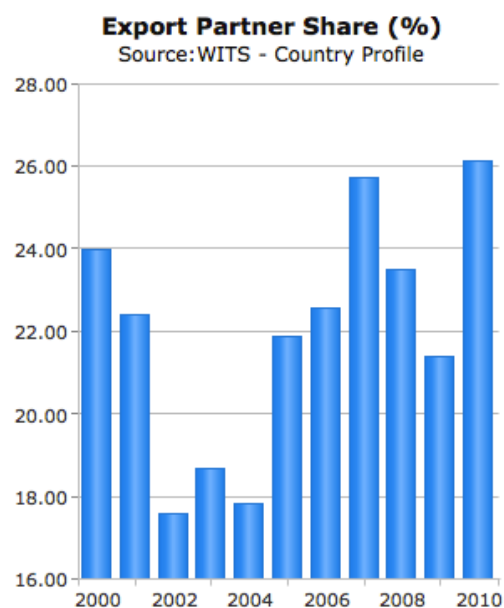
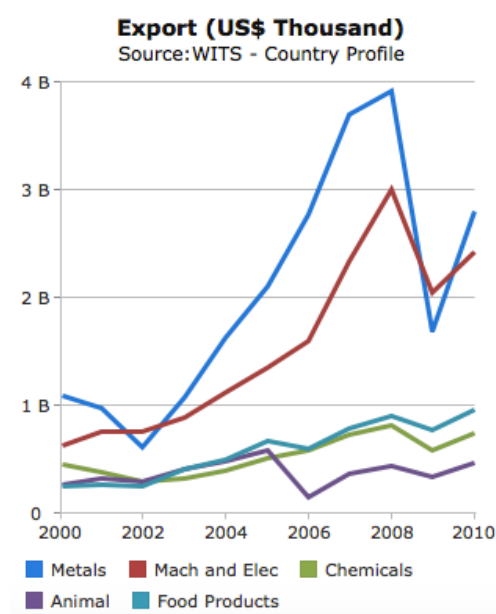


Figure 7.4. Ukraine's Total Export by Product, 2000-2010

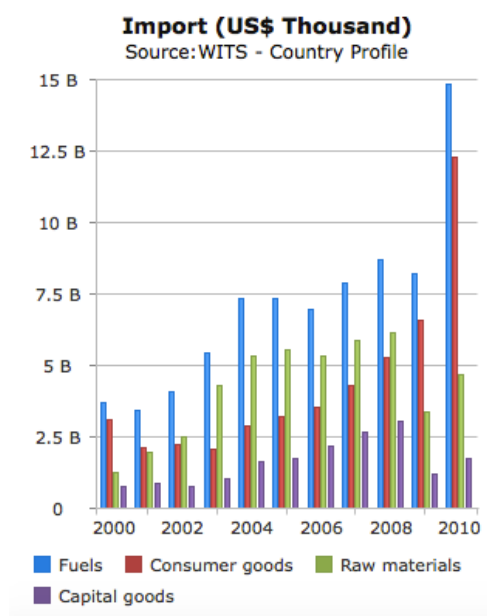


Source: World Integrated Trade Solutions Database by World Bank.

On the other hand, being also Ukraine's largest importer, Russia dominates in fuel supplies (primarily natural gas and oil), and Ukraine appears "hooked on cheap Russian gas"

(Havrylyshyn, 2016). The following figure shows the breakdown of the major Ukrainian import by product and underscores the importance of fuel in Ukraine's trade flow.

Figure 7.5. Ukrainian Total Import by Product, 2000-2010



Source: World Integrated Trade Solutions Database by World Bank.

What all this data shows is that the Ukrainian economy - in terms of what is supplied and what is consumed - in was extremely tied to the Russian market and products 2000-2009. To put it simply, in order to produce metallurgical products, Ukraine's largest import predominantly sold to Russia, it needed the Russian gas, Ukraine's largest export, also from Russia. In addition, Russian gas was built in the production chain of many other post-Soviet manufactures, making other Ukrainian sectors economically vulnerable to fluctuation in gas prices.

However, that trade dynamic started to change after as gas disputes erupted between Russian and Ukraine in 2005 and on. The prices for Russian gas for Ukraine kept rising from stable \$50 per 1,000 of cubic meters in 1992-2005, to almost a two-fold increase to \$95 in 2006;

then to \$130 the following year and taking a leap to \$179.5 in 2008 and reaching a peak of \$360 in 2009. After the Tymoshenko-Putin gas deal, the price dropped for the first time to \$260.7 in 2010, thus increasing by over five times over the time Yushchenko's term. (How Did Russian Gas Price for Ukraine Change throughout 24 Years? 2016).

As the price kept going up, after the first gas dispute the consumption of natural gas in Ukraine overall started to steadily decline, as did Ukraine's import of it, as seen in Figure 7.6 and Figures 7.7 below.

Figure 7.6. Ukrainian Consumption of Natural Gas, 2000-2010

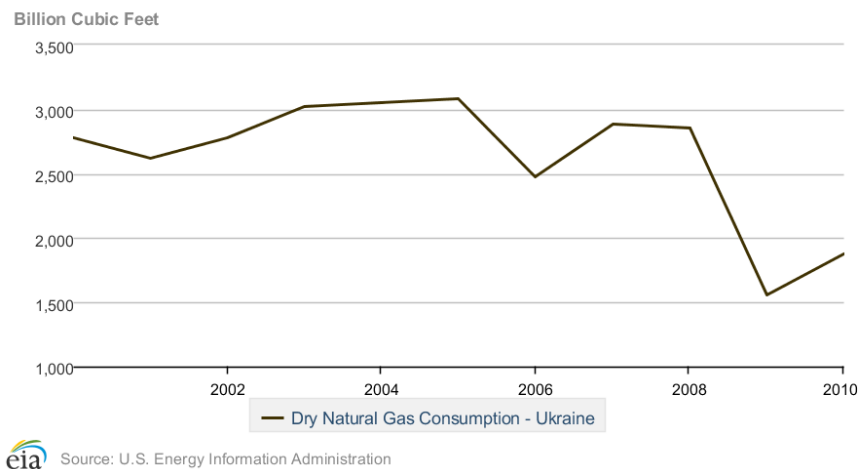
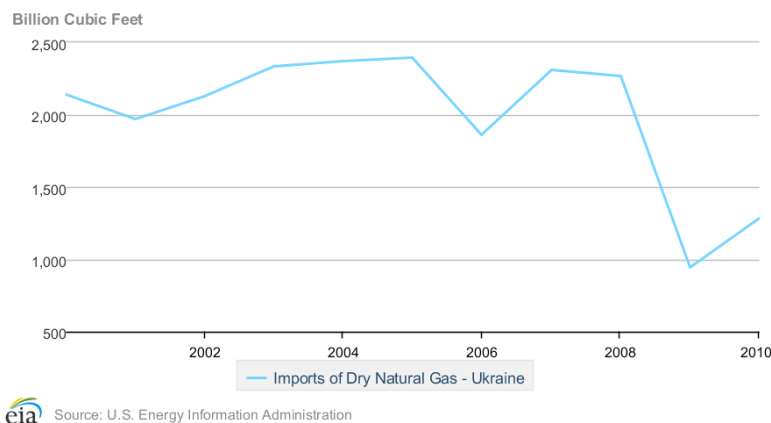


Figure 7.7. Ukrainian Import of Natural Gas, 2000-2010



Much more detailed economic data could be potentially brought to bear in this analysis of the macroeconomic picture of Ukraine in 2000-2010. However, in my investigation of where the economic interests of oligarchs intersect with foreign policy, the trade dynamic stands as the most important lynchpin. Indeed, most oligarchs are heavily invested in a particular Ukrainian import or export, having made their initial capital and established rent/profit-seeking mechanisms surrounding it. For Yulia Tymoshenko it was natural gas; for Petro Poroshenko it was confectionary business; for Rinat Akhmetov it was metallurgy; for Pinchuk it was pipes; for Firtash it was natural gas and titan; for Ihor Kolomoiskyi it was petrochemicals and so on. Looking at the general market picture of import and export from Ukraine and linking them to the oligarchic economic interests in expanding profits and markets, allows me to sketch several observations as to the foreign policy interests of these party substitutes and foreign policy change in Ukraine.

First, and foremost, as seen from data above, Ukrainian producers at the beginning of the Orange regime were heavily invested in Russian market, both in terms of supply and demand. Moving away from Russia politically forebode many economically painful losses, but further integrating with Russia into a sort of economic Eurasian Union was not a very palatable option either. The dependence on Russian imports would lock the Ukrainian oligarchs in an economically subservient role. Indeed, the economic inputs for the Ukrainian producers (the natural gas in particular) could be jerked up by Gazprom to the point that the Ukrainian producers won't be able to make profits. This would force the Ukrainian businessmen to sell off their 'golden eggs' to outsiders, potentially more dominant Russian oligarchs. The latter would

compete strongly with the Ukrainian oligarchs if all were to join in some new Eurasian economic system⁹⁷.

As a result, some Ukrainian oligarchs, “hooked on cheap Russian gas,” attempted to diversify both the markets for their products and the type of business they were invested in. For instance, Konstantyn Zhevago, a Ukrainian oligarch and a Rada deputy since 1998, was the first Ukrainian businessman to present his iron ore mining company Ferrexpo at London Stock exchange in 2007 (while still holding a deputy seat). Other oligarchs similarly redistributed their capital between banking, media, chemicals and heavy industry in order to have a cushion against possible Russian-tied losses. Matuzsiak et al (2012b) gives a detailed list of all business interests that the top Ukrainian oligarchs owned, and some them were already touched on in the previous Chapter. Malnykovska and Schweickert (2008) similarly note how the Ukrainian oligarchs started to enter the global capital market in the 21st century when they borrowed in foreign currency from international banks, issued bonds and traded their stocks at international stock exchanges.

In this context, the most promising direction of market diversification for the Ukrainian business elites was deemed to be toward the European Union. Indeed, Anders Aslund (2005a), applied a gravity model to the Ukrainian case that assessed the extent to which the countries should trade with each other given the size of their economies and the distance between them. He showed that post-enlargement EU of 2004 should have a share of 60% in the Ukrainian export. Nevertheless, sensitive materials such as steel, chemicals, textile and agriculture remained heavily protected by EU from the competition by the Ukrainian producers. More

⁹⁷ Torr Bukvoll (2004) explored how this consciousness of ‘economic loss’ for Ukrainian oligarch developed during President Kuchma’s negotiation of the Common Economic Space Agreement with Russia in 2003-2004.

recently Havrylyshyn (2016a, 246) also reviewed a range of economic studies to that effect and concluded the export diversification “have been a major success story for Ukrainian economic performance;” and that, in fact, an export share to Russia of about 25% is the right equilibrium.

What this analysis of the trade situation in Ukraine does for my analysis of the foreign policy is that it supports the logical conclusion that overall, the Ukrainian oligarchs in early 2000s, while interested in maintaining their export connections with Russia, also intensified efforts to get access to new European markets and favored such foreign policy change especially due to severe gas price fluctuations that followed in 2005-2009.

And the empirical evidence further supports that argument: after Ukraine was granted the ‘market economy status’ by the EU in 2005, the latter insisted that the WTO membership was a pre-condition for any further deepening of their trade relations. As a result, Verkhovna Rada needed to adopt new laws that would bring the Ukrainian rules, procedures and regulations in conformity with the WTO policies. Remarkably, despite the cohabitation and political feuds within the Orange camp, the WTO accession was ratified by 411 votes on April 10, 2008. Prior to that, in similarly unanimous fashion, the deputies of all oligarchic origins voted in support for over 60 legislative acts adopted between 2005 and 2008 on Ukraine’s taxation, customs, banking, insurance sectors along with the intellectual property rights.

President Yushchenko immediately pledged its support for Russia’s membership in WTO. Russia was still in negotiation at the time, and Yushchenko emphasized that Ukraine was eager to settle all its trade-related disagreements with the Russian Federation according to the international WTO standards and procedures. Such position is another evidence that Ukraine’s

foreign policy goals towards Russian did not experience any change: Ukraine was still seeking to cooperate and keep communication channels open.⁹⁸

Ukraine's exports to the EU, following the WTO accession that was followed by the start of the Ukraine-EU free trade zone talks in 2008, did see significant growth. Prior to the WTO accession in 2007, Ukraine's export to the EU grew by 25.5 %, and in 2008 it slowed due to the global financial crisis. But as Ukraine's economy bounced back, in 2010 it grew by 45% and now, after the Association Agreement was signed in 2014, the EU holds first place in Ukraine's exports.⁹⁹ Similarly, direct foreign investment into Ukrainian business increased exponentially after Ukraine received the "market economy" status from the EU in 2005, already in 2006 the FDI was at 5.5 billion of Euros, compared to a meagre 230 million euros in 2003.¹⁰⁰

To summarize, at the macro level, the Ukrainian oligarchic interests preferred to continue to have stable relationship with Russia that would curb any potential disruptions of the existing economic ties due to their heavy dependence on Russian gas supplies. However, they were also strongly interested and worked to get greater access to the European markets. As of 2004, these markets remained heavily protected from Ukrainian producers. The EU market access held a promise of both increased trade flows, profits and the potential FDIs to modernize energy-inefficient and outdated post-Soviet production models still in place during those years.

⁹⁸ In contrast, observe that Georgia threatened to block Russia's WTO membership process until Russian checkpoints are removed from the borders with Georgian breakaway regions of Abkhazia and South Ossetia. <http://www.nytimes.com/2008/02/06/business/worldbusiness/06trade.html>

⁹⁹ This information is available on the official website <http://ec.europa.eu/eurostat>

¹⁰⁰ http://trade.ec.europa.eu/doclib/docs/2008/february/tradoc_137781.pdf

At the micro level, i.e. at the level of concrete interests of those oligarchs that were directly linked to the Orange leaders, I observe a similar evidence of benefits reaped through adjusted foreign policy towards Russia and program shift in policy towards the EU.

Thus, for instance, the most closely linked to President Yushchenko group of RosUkrEnergo, owned by Dmytro Firtash, was the largest voice in maintaining Russian energy flows going into Ukraine. As the gas price rise continued throughout Yushchenko's term, according to Global Witness, RosUkrEnergo reaped \$700 million in 2005 only, whereas *Naftohaz Ukrainy* accrued \$500 in debt (Kuzio 2015, 402–3). This corrupt rent mechanism, half-owned by Gazprom and half-owned by Firtash and Furksin (the latter has direct links to Kuchma), would potentially ensure the continued flow of Russian gas, since Gazprom was double-interested in getting benefits both as a supplier and as half-owner of the intermediary that charged the Ukrainian government fees on the supplied. The bill ended up being dropped at *Naftohaz* door, who then received “more than \$6 billion of subsidies in domestic bonds from 2009 to 2012 to cover the regulated household utility gas prices and to pay for the expensive Russian energy imports” (ibid, 403). Thus, RosUkrEnergo that was backed and was backing President Yushchenko as well as Prime-Minister Yanukovych, received clear benefits from the continued flow of revenues through Ukraine's relations with the Russian Federation.

Another Orange oligarch turned politician, Petro Poroshenko had his own clear benefits in maintaining Ukraine's relations with Russia at the same level of goals and orientations: his confectionary business until recently supplied 8,000 tons of sweets to Russia monthly and collected a total of \$ 1 billion USD in 2011 (Kramer 2013). On the other hand, Poroshenko, like other oligarch was able to gradually diversify his supply network including to the EU, and by 2013 his products were sold in 30 different countries (ibid).

The Russian leaders knew well that they could find a leverage over Poroshenko. They found him to be an acceptable replacement for the Ukrainian Minister of Foreign Affairs in 2009 and as a Minister for Trade and Economic Development under President Yanukovych in 2011. The soreness of disrupted relations with Russia was especially felt by Poroshenko in 2013, when Ukraine and Russia wielded the so called “chocolate trade war” targeted mostly at Poroshenko’s business. It made his factories’ production go down by 14% in the first several months (ibid). The arbitrary use of Russian government’s power to punish Ukrainian producers – whether in early 2005 and 2008 dairy bans, metal bans, or “chocolate” and “cheese” trade wars of 2013 and 2012 –summarily signaled to the Ukrainian business elites that dealing with the EU rule-bound trade bureaucracy was more predictable than dealing with fluctuating Russian trade ‘punishments.’

Further, another “Orange oligarch,” Ihor Kolomoiskyi, also benefitted from moderated foreign policy position of Ukraine towards Russia and strengthened cooperation with the EU. Thus, he briefly cooperated with Russian oligarch Abramovych in 2008, but the global financial crisis put an awkward end to that cooperation. Indeed, Kolomoiskyi banking business, Privat, was hit particularly strong in 2008. In 2008 Forbes estimated Kolomoiskyi to have a net worth of \$4.2 billion and rank as world’s billionaire # 253, whereas in 2009 his wealth shrank by almost four times and equaled \$1.2 billion. Privat Bank, until recently was the largest Ukrainian bank with 20 million customers (Ukraine’s biggest lender PrivatBank nationalized 2016). It had a total of 56, 270 million of Ukrainian hryvnia in assets in 2007, and was able to grow that to 87,520 million in 2008. However, in 2009 it only grew by 2, 169 million, as compared to an

increase of 31,250 million Ukrainian hryvnia the year before.¹⁰¹ In other words, PrivatBank suffered a major blow as a result of the global financial crisis. The necessity to follow clear financial regulations, in accordance with the Ukrainian law and best international practices, led Kolomoiskyi to initiate the change of PrivatBank from Limited Liability Company to Closed Join-Stock Company in 2009. By then, PrivatBank had already started to appear on Standard&Poor and Fitch ratings, in particular for the first time in on S&P's list in 2003. In that sense, in addition to what I delineated in the previous Chapter as Kolomoiskyi's generally competitive positions vis-à-vis both Russian and some sectorial EU businesses, his case demonstrates he benefitted from his business globalizing with favorable Ukraine-EU relations.

Hence, in this subsection, I have presented two set of empirical traces for oligarchic interests present in the eventual changes in the Ukrainian foreign policy. The first one was of macroeconomic nature. It showcased how the Ukrainian trade flows throughout 2000-2010 was greatly dependent both in its export and import on stable cooperation with Russia. In fact, the main Ukrainian imports overall almost were predominantly servicing the Russian market, yet in their production they were fundamentally dependent on the supplies of the Russian natural gas. On the other hand, such dependency was also a major economic reason why the Ukrainian business was looking to explore alternative markets, trying to increase its trade share with the EU. The Orange revolution provided an excellent ideological basis for promoting such business interests, and indeed, after the 'market economy' status that Ukraine achieved from the EU in 2005, the exports to the EU kept growing despite the temporarily setback on the global financial crisis of 2008-2009.

¹⁰¹ This information is from PrivatBank official website: <http://en.privatbank.ua/privatbank-s-profile-en/financial-statements/>

In addition, as the price of the Russian gas was unpredictably fluctuating and Russia's trade bans on selective products were jeopardizing the flow of goods and services, the Ukrainian business was further interested to intensify their economic and foreign relations with the EU and moderate potentially destructive dependency relations with Russia. My microanalysis of select Ukrainian oligarchs shows their profits and losses from such kinds of foreign policy changes and confirms these propositions.

To summarize, in this Chapter I set out to estimate the final element in the causal mechanism, the foreign policy change during 2005-2009 in transitional Ukraine. I started with the analytical differentiation between foreign policy behavior (verbalized and non-verbalized acts) vs. foreign policy outcomes. Indeed, the declared and implemented foreign policy by a state may differ from its intended outcome since such result involves a complex interaction with one or multiple actors. The focus of this Chapter, and this research project at large, is the foreign policy behavior, rather than outcomes.

Having looked at both Ukraine's verbalized and non-verbalized foreign policy behavior, I have determined that the Orange leaders' foreign policy underwent relatively small changes during the presidency to Viktor Yushchenko. Indeed, as compared to the 'multi-vektorphism' of Kuchma, Ukraine's foreign policy towards EU continued to pursue integration: the goal remained the same. The means and methods of achieving it included new forms of collaboration and incorporation of the EU standards into the life of the Ukrainian governmental machinery. On the other hand, as regards its policy towards Russia, the Ukrainian transitional leaders adjusted their foreign policy (goals, means, and methods remained the same), by changing the level of effort put towards its implementation. Ukraine still sought to maintain cooperative and beneficial relations with Moscow. Yet both at the level of official documents and at the level of

actions (visits, exchange of delegations, cultural events, foreign policy chiefs' appointments etc.), there was a marked decrease both in quantity and/or quality of implementation under the presidency of Viktor Yushchenko.

My differentiation between foreign policy behavior (verbalized and non-verbalized) and foreign policy outcome proved also to be useful in explaining why the declared Ukrainian foreign policy goals were not achieved during the transitional time of the Orange rule. As Ukraine attempted to maintain "mutually beneficial cooperation" with Russia, it was not prepared to respond to the new means and methods of foreign policy that Russia employed (i.e. natural gas price fluctuation; Russo-Georgian war and the participation in it by the Crimean based Russian fleet; trade bans etc.).

On the other hand, despite the new and increased cooperation with the EU, Ukraine failed to secure its main goal. The prospects of EU membership were not achieved, but not necessarily because Ukraine was not trying 'hard enough' (consider, for instance, the synced work of Rada towards WTO accession etc.). Rather, in Ukraine-EU relations there was a significant reluctance on the part of the EU to integrate Ukraine after the most expansive 2004 enlargement. The EU policy was to relegate its relations with Ukraine to European Neighborhood Partnership, with potentially strong economic, but not political integration.

Finally, in order to trace the oligarchic interests that link Ukraine's foreign policy change to the party substitute interests, I examined both macro- and micro- level of evidence that confirmed that the Ukrainian party substitutes both favored and benefitted from increased cooperation with the EU, since the Ukraine-EU export-import flows grew after the "market economy" status. This further prompted the Ukrainian business towards diversification in sales at potentially more profitable and politically stable European markets. The stability in relations

with the Russian Federation was equally of interest of the Ukrainian oligarchs, and some Ukrainian oligarchs benefitted from Yushchenko's supported gas dependency (e.g. RUE), whereas others suffered losses due to gas prices increases and global financial crisis.

My next chapter will situate the same analysis of Ukraine's foreign policy for the next period of the Ukrainian history, post-Orange revolution presidency of Viktor Yanukovich and will examine the foreign policy changes in this political context.

Chapter 8

TRANSITIONAL YEARS UNDER VIKTOR YANUKOVYCH AND UKRAINE'S FOREIGN POLICY, 2010-2011

8.1. *Theoretical Note*

This Chapter aims to undertake the analysis of Ukraine's foreign policy under the transitional years during presidency of Viktor Yanukovich. Here, I aim to evaluate the kind of changes that took place in Ukraine's verbal and non-verbal foreign policy behavior since Viktor Yanukovich took office on February 25, 2010. His term ended abruptly almost exactly four years later, when on February 21, 2014 he hastily fled the country to the neighboring Russia in the middle of the popular uprising that demanded his resignation and Ukraine's return to the Association Agreement (AA) with the EU. This political protest, due to the nature of its demands that included the signature of the AA and the fight against increasingly corrupt regime, was popularly named the Euromaidan revolution, or the Revolution of Dignity.¹⁰²

What such chain of historical events shows is that within four years of Viktor Yanukovich's presidency Ukraine underwent significant political and social transformations. In Chapter 4 I concluded that the political transition in Ukraine was not completed by the end of 2009. Indeed, I showed that the Orange leadership was not able to implement the declared revolutionary values into the workings of new or reform governmental institutions. What happened in Ukraine since then? Can we say that the Orange transition never ended until a new transitional government took office in February 2014? Or rather, are we looking at the end of one transition and the beginning of another? These questions are important insofar as they

¹⁰² 'Maidan' in contemporary Ukrainian acquired the meaning of protest, and overthrow of corrupt power.

determine the scope of applicability of the causal mechanism that I delineated in Chapter 2. Thus, if the Orange transition never ended and lasted until through new revolution of 2014, then I can analyze Viktor Yanukovych's foreign policies through the theoretical framework developed in Chapter 1 for transitional states. If, however, we are dealing with two separate transitions - from late years of Kuchma rule through the Orange revolution, and from late years of Yanukovych's term through Euromaidan – then I should find markers that the first transition ended before a new one started. From my close knowledge of the case, I am inclined to argue the former: the Orange transition ended (in a failure), a new political order consolidated and it started to be challenged by new political forces that sought another change of power. Between the two transitions, I argue we observe the consolidation of a more authoritarian system.

Before I proceed to specify these scope conditions for Yanukovych presidency, another theoretical distinction is in order. Recall that in my treatment of the foreign policy of the transitional period, I first gave a foregrounding to President Kuchma's foreign policymaking. However, I applied the analysis of the causal mechanism (party substitutes' interests in FP) only to President Yushchenko's term. This, at a first glance, may not seem to fit into my defined transition period, which started with the protests "Ukraine without Kuchma!" in 2000. The reason why I have not applied the transitional foreign policy making mechanism to Kuchma's final years is that whereas the transition was indeed under way, autocratic rulers do not necessarily face the kind of transitional uncertainty that political leaders do once the regime change has occurred. To clarify, often the opposite is in place: authoritarian leaning leaders tend to limit the "institutionalized uncertainty" that democracy necessitates, per famous Przeworski

term.¹⁰³ They resort to mechanistically limiting the uncertainty of the political outcomes in any institutionalized interaction, which a democratic political system would potentially amply provide. To be more precise, they limit such institutionalized uncertainty only to the outcomes that are favorable to their own continued tenure. In other words, there is a limited uncertainty of the outcomes that authoritarian system offers by privileging the incumbent's tenure in all possible governmental interactions.

What such limitation of institutional arrangements does for the kind of cognitivist uncertainty that I ascribe to political leaders in transition is that the information that would be otherwise plentiful and/or contradictory in its complexity becomes limited to a set of possible stamp-legislated or otherwise enforced outcomes in an authoritarian political system. Therefore, in the current causal mechanism I cannot treat authoritarian leaders as functioning under the same constraints of the transitional uncertainty as those who take power after the regime change. Indeed, the mechanism I delineated is not aimed to explain authoritarian decision making due to the fact that the effects of transitional uncertainty do not apply to them in the system of limited institutional arrangements. Such political system to a degree prescribes political outcomes and leaves little room for complexities of outcomes such as a transitional leader would typically consider.

While I describe the conditions in which an authoritarian leaning leader makes decisions as prescribed outcomes, I do not mean it in a teleological sense. In other words, I do not mean that what may transpire in an authoritarian political order must have predictably been an

¹⁰³ Przeworski (1991) treats democracy as 'institutionalized uncertainty' in other word as such system of political order where the results of open political competition are not predetermined *ex ante*, and the peaceful turnover of power occurs because the 'losers' of one election cycle has a reasonable expectation of being able to win in the next elections due to the political freedoms exercised in a country.

outcome of a particular design or a process that had no other possible eventual outcomes. The reality of the authoritarian-opponent interaction may result a variety of possible outcomes. But when it comes to the cognitive processes that a political leader is experiencing, the authoritarian system furnishes its decision makers with different heuristics as compared to transitional leaders who function under the effects of transitional uncertainty. In such cases, other theoretical insights could be combined with poliheuristic theory (for instance, De Mesquita 2005, 2010; Siverson et al. 2003); and the resulting theoretical propositions could be applied to cases when decision making takes place in relatively stable political orders etc.

What this practically means for the current research is that similarly to not applying the causal mechanism to the foreign policies of President Kuchma, I will not be applying it to the time frame when the authoritarianism consolidated under Viktor Yanukovych.¹⁰⁴ From that point on another set of theoretical assumptions and models should be applied that are more specifically geared towards authoritarian decision making, which are outside of the goals of this paper.

Setting such analytical boundaries, I first need to determine specific time frames of my analysis of the foreign policy of Viktor Yanukovych to be reviewed here. This is the task of the first subsection in this chapter. Following that, similarly to Chapters 4 and 5, I will give a necessarily brief survey of the transitional uncertainty and determine its levels in Yanukovych's post-Orange transitional years of 2010-2011 in subsection 8.2. This will be followed, in line with Chapter 6 format, with the examination of Yanukovych's connections to party substitutes and their foreign policy interests in subsection 8.3. Finally, I will survey Yanukovych's

¹⁰⁴ I consider authoritarian consolidated period in Yanukovych term from 2012 to 2014, and present theoretical grounding and empirical evidence to that below.

government verbalized and non-verbalized foreign policy behavior towards Russia and the EU in 2010-2011 to determine the level of FP change, and present the evidence to the oligarchic interests in these changes. This Chapter will necessarily be much more condensed than previous ones, following the blueprint set before without much elaboration as it has been done in the earlier parts of this work. In that sense, the current chapter will resemble the format of an application chapter, mostly presenting the results, with the exception of the following discussion of 2010-2011 period as the end of the ongoing transition after the Orange revolution (subsection 8.1).

8.2. *End of Orange Dream: President Yanukovych and Consolidation of Power*

In Chapter 4, I have shown that the political transition that culminated in the Orange revolution was incomplete during the years of President Yushchenko, 2005-2009. The empirical evidence for such conclusion was that the Orange government failed to reform the existing or to create new governmental institutions in conformity with the declared revolutionary values. As I examine the next historical period, encompassed by the presidency of Viktor Yanukovych, I start with the assumption that the transition indeed was ongoing and uncertainty was still characterizing the Ukrainian political life.

The appropriate question then, is - when did this transition end? Previously, I determined that the only remaining criterion for the end of Orange transition was unreformed government structures that did not reflect revolutionary values. These values, however, were not pursued or implemented by Mr. Yanukovych either. In fact, he and his Party of Regions presented themselves as ideological opponents of the Orange camp since 2003.

Hence, I am both in need for additional theoretical guideline and some empirical clues that would define the end of the political transition in the Ukrainian case. One such theoretical guidepost may be derived from the original work by Ronald Francisco (2000) that I have previously referred to in order to find the criteria for the end of the transitional period. In answering the question “When and how do regime transitions end?” Francisco remarks that politics constantly evolve, but at certain point they reach “a sustainable system of government” – a consolidation. Transitions “can be quick or interminable” but they “must set up lasting rules that are not significantly challenged” (ibid, 122).

In Francisco’s sample of 40 countries, six did not complete the transition. None of these six countries were able to consolidate either. The researcher applied three criteria to determine whether the consolidation (as a process rather than as a final point of achieved stability) has occurred: two consecutive elections were held; a rotation of executive power had to take place in a country; and military needed to be tucked under civilian control in order for a country to be considered ‘consolidated.’ Ukraine after the Orange revolution of 2004 satisfied these criteria. It held two elections to the parliament in 2006 and 2007. It had a rotation of executive power in 2010. And the Ukrainian military has been secured under the civilian control since the early years of independence in 1990s. Thus, Ukraine showed clear signs that the process of consolidation of the political system was taking root, however its direction was not democratic.

To elaborate, Francisco follows Stepan and Skach’s (1993) suggestion that consolidation can be deemed democratic or non-democratic by adding another criterion: the mean country score on Freedom House ratings needs to be equal or less than 2.5. per year. In this sense, Ukraine clearly failed to achieve specifically democratic consolidation as seen from the table below:

Table 8.1. Ukraine's Scores on Freedom of House Rating "Freedom in the World"

Year	Score
Post-revolutionary period under President Yushchenko	
2005	3.5
2006	2.5
2007	2.5
2008	2.5
2009	2.5
<i>Mean for Yushchenko's term, 2005-2009</i>	2.7
President Yanukovich term	
2010	2.5
2011	3.0
<i>Mean for post-revolutionary transition, 2005-2011¹⁰⁵</i>	2.7
2012	3.5
2013	3.5
<i>Mean for Non-Democratic Consolidation, 2011-2013</i>	3.3
2014 (end of Yanukovich regime and the Euromaidan)	3.5

(1 –best, 7- worst)

Hence, in contrast to Francisco's sample set of countries, where all 6 state that failed to complete transition also failed to consolidate, in the case of the post-Orange Ukraine, the transition did not end when the President Yushchenko handed President Yanukovich the executive post in 2010. However, by the estimates of Francisco's criteria, Ukraine's political

¹⁰⁵ I include 2011 as a year in both the Mean of Transition calculation and the Mean of Non-Democratic Consolidation, since both processes overlap in the same year, as I describe in my empirical data presentation further in the chapter.

system was nonetheless consolidating in a non-democratic way. What this means for my demarcation of the period of the end of transition is that because such consolidation was non-democratic and was contrary to the values of the Orange revolution, it effectively ended the processes that the Orange transition started. Both empirical facts and expert analysis that I present in the following paragraphs converge in agreement on this point.

On empirical side, a few months after his inauguration, President Yanukovich eliminated Yushchenko-instituted National Constitutional Council (NCC). NCC was a consultative body in charge of developing strategies and recommendations for further constitutional reform in Ukraine. Recall, that Yushchenko lost many prerogatives under the 2004 pact that shifted more power to the parliament starting from 2006. Nonetheless, he continued to seek venues of constitutional influence in the country, including through the work and recommendations by NCC.

Yanukovich also engaged in constitutional reform. He exerted administrative pressure on the Constitutional Court of Ukraine. Subsequently, on September 30, 2010, the Constitution of Ukraine by the Court decision was reverted to its original 1996 version. That granted Yanukovich back all the prerogatives that Kuchma held prior to the Orange revolution. The Court decision was voted into law and on February 4, 2011 it came into force.

Mr. Yanukovich's political backing by Rada at that point was the largest with Party of Regions holding 175 seats. This Presidential support was further reinforced when Rada adopted a new electoral law in November 2011. The new law changed the electoral system of Ukraine back to mixed: half of the deputies were elected by first-past-the-post formula in single mandate districts, another half by proportional list system with a 5% threshold. No political blocks (unification of parties) were allowed to compete. Such provision gave a numerical advantage to

the Party of Regions, with largely consolidated base of voters in the Eastern part of Ukraine. The fall 2012 elections to Rada confirmed the predominance of the political forces behind Viktor Yanukovych: the Party of Regions strengthened its position and got a total of 185 seats in the new parliament.

The year 2011 also saw the beginning of political persecutions when Yuriy Lutsenko, former Minister of Interior under President Yushchenko, was tried and received sentence on charges of overstepping his functional duties on the post and other similar accusations. Yulia Tymoshenko was likewise arrested, tried and sent to prison that year on charges that included “exceeding her governmental duties” in the connection with the gas deal of 2009. Added to such measures were significant changes in the appointment of Prosecutor General, changes to the judicial system, increased role of the Security Service of Ukraine. In short, with the institutional system moving swiftly to a more consolidated presidential regime, the authoritarian character of Yanukovych governance was also growing.

In addition to these empirical clues, I find many scholarly estimates pointing into the same direction of increasingly authoritarian record of the Ukrainian leadership at that time. Paul D’Anieri (1999, 448) writes that “In 2012 it appears again that the country has passed a tipping point on the path to authoritarianism.” Mykola Riabchuk (2012), a prominent Ukrainian political analyst, explores this process in more depth in his monograph by the same name: *Gleichshaltung: Authoritarian Consolidation in Ukraine, 2010-2012*. Taras Vozniyak (2013, 48) remarks that Yanukovych’s first two years were not those of “governance” but “rule,” and that political power Yanukovych accumulated in 2012 superseded that which was held by President Kuchma. Other authors likewise agree with such characterizations, singling out 2011 as the year when consolidation was increasing and 2012 when authoritarianism was finally

firmly in place (Haran 2011; Obydenkova and Libman 2014). Such authoritarian consolidation ended the political transition that Ukraine was undergoing in the prior years.

Having started as a political protest against the authoritarianism of Kuchma, the transition failed to establish a set of ‘lasting rules’ that would enshrine its declared ideals a corruption-free and responsible “government at the service of people.” The authoritarian consolidation ended any further progress of transition towards the implementation of these declared Orange values. Thus, I put forward that during Yanukovich’s years of presidency, only 2010-2011 could be categorized transitional,¹⁰⁶ whereas 2012 signified a peak in a different stage of political development of Ukraine. Therefore, in my study of uncertainty, party substitutes’ interests and foreign policy change, I will apply the causal mechanism to Yanukovich’ first years in office, 2010 and 2011. The remaining years of his presidency are beyond the scope conditions for the causal mechanism that I set out in Chapter 2.

8.3. *Transitional Uncertainty during Viktor Yanukovich Presidency*

In this subsection, my objective is to evaluate the level of political uncertainty using the previously applied model:

***Pace of Political Transition + Political Competition + State-Building+ Economic
Downturn → Level of Uncertainty***

¹⁰⁶ It should be noted that the processes of transition and consolidation in Francisco’s treatment are separate yet often concurrent. Thus, he evaluates consolidation in states with incomplete transition under as in those with completed transition, using the same criteria. Thus, the two processes may be happening at the same time, while transitions must set up “rules that are not significantly challenged” and these rules become conducive to minimal political equilibrium, a pointer of political consolidation (ibid, 122-123).

As for the pace of political transition, which in Jung and Deering (2015) treatment refers to either abrupt or gradual change of power, I will analyze the pace of the change of power during the presidential election of 2010. Initially, Verkhovna Rada set the election date for October 25, 2009. However, President Yushchenko argued through the Constitutional Court of Ukraine that since his new presidential powers came into force a year after he took office, his term should be extended, and thus elections were to be pushed to a later date. The Constitutional Court ruled in Yushchenko's favor and shortly after Rada moved the date of the elections to January 17, 2010.

Despite such movements, according to the estimates of the OSCE electoral mission that deployed in Ukraine in November 2009, "campaign was conducted in a free and calm atmosphere respecting all civil and political rights." The OSCE monitors concluded that Central Electoral Commission of Ukraine "mostly operated in non-partisan and collegial manner" and "pluralistic media environment offered the voters a range of information about the leading presidential candidates and their platforms." In the end, both the first and the second round of the plurality formula elections of 2010 were "orderly" and voting was conducted in "efficient, transparent and honest manner" (Election Observation Mission Final Report 2010).

When the election results announcing a 3.48% margin victory by Viktor Yanukovich over Yulia Tymoshenko were announced, the latter made a statement that there were multiple irregularities and miscalculations. She announced that she was going to dispute the results in order to reverse the outcome of the vote. Subsequently, Yulia Tymoshenko lodged a complaint in the High Administrative Court of Ukraine. The hearing started on February 19, 2010. However, due to the lack of evidence from district and precinct electoral commissions, Tymoshenko rested her case on the second day of hearing. And President Yushchenko signed a

decree for inauguration of Viktor Yanukovych on the same day. Admittedly, Yanukovych did rush the date of inauguration since Yulia Tymoshenko had refused to cede her Prime-Ministerial seat until after her case was settled, which indicated some nervousness surrounding the power turnover. However, the actual rotation of the executive power from President Yushchenko to Victor Yanukovych did not experience any political or civil violence or disturbance. The electoral defeat was resolved through the appropriate judicial channels. And the date and the results of the election were set, challenged and resolved in well-regulated institutional manner. Hence, I estimate that the pace of transition (change of power) in this case was not abrupt. I assign it a **score of 1 (LOW)**.

As far as the second component of the estimates for transitional uncertainty is concerned, the political competition, the data I derive from the Varieties of Democracies is summarized in the three graphs below, following the format delineated in Chapter 5.

Figure 8.1. Freedom of Association Index for Ukraine, 2005-2010

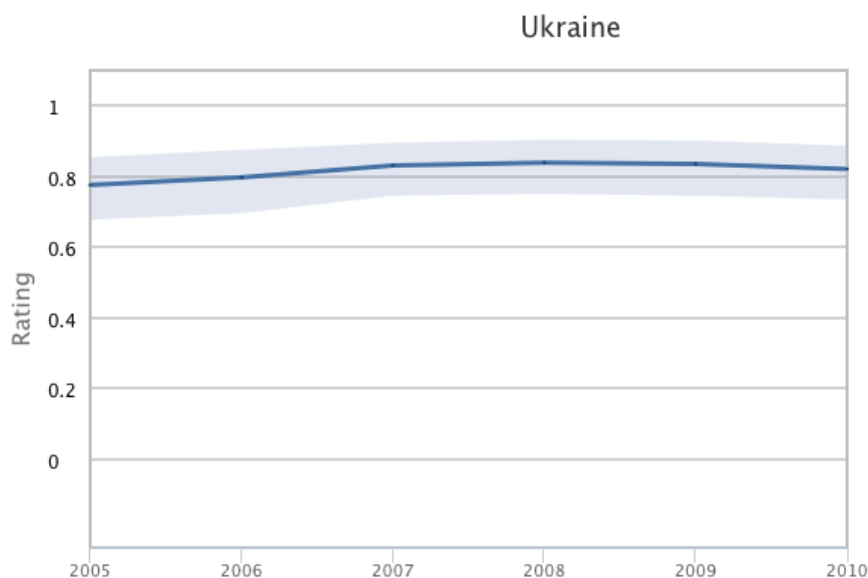


Figure 8.2. Components of Ukraine's Freedom of Association Index-1, 2005-2010

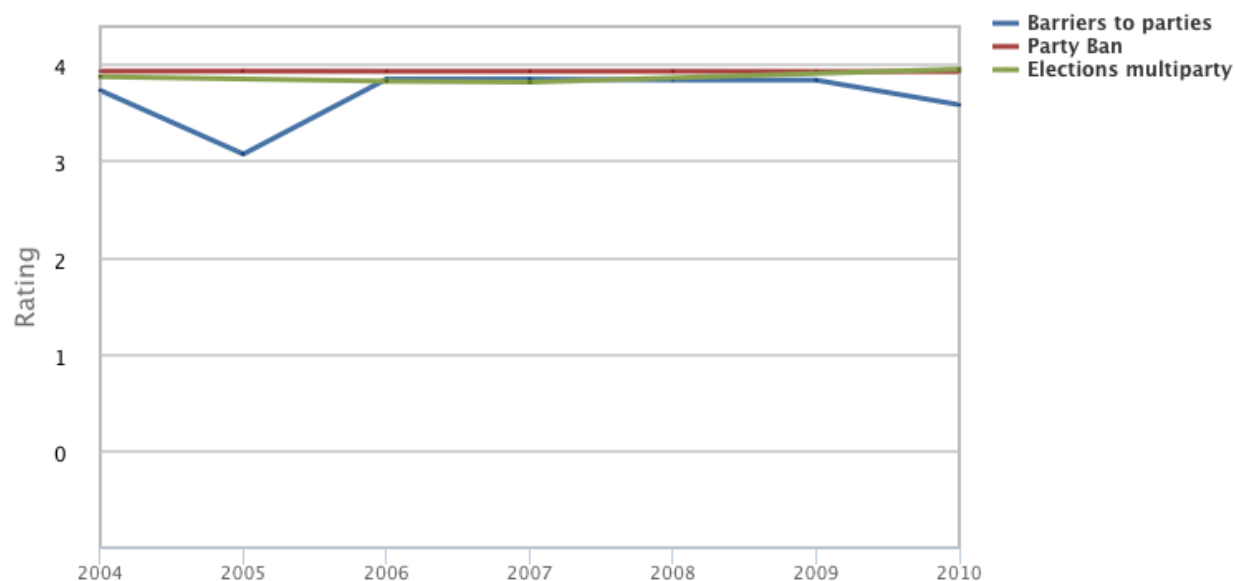
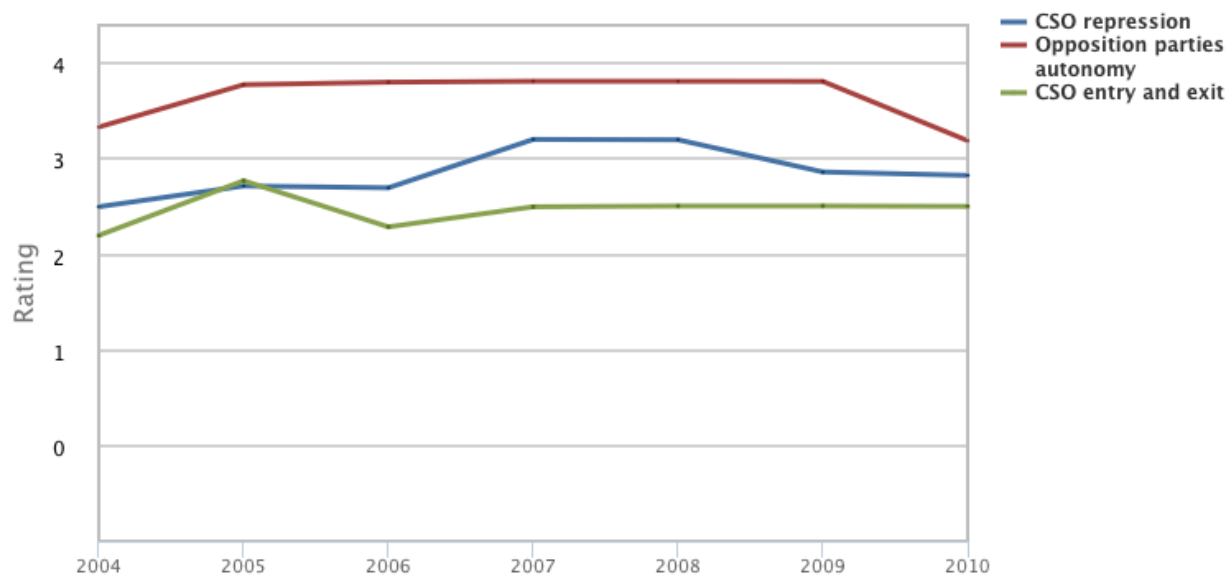


Figure 8.3. Components of Ukraine's Freedom of Association Index-2, 2005-2010

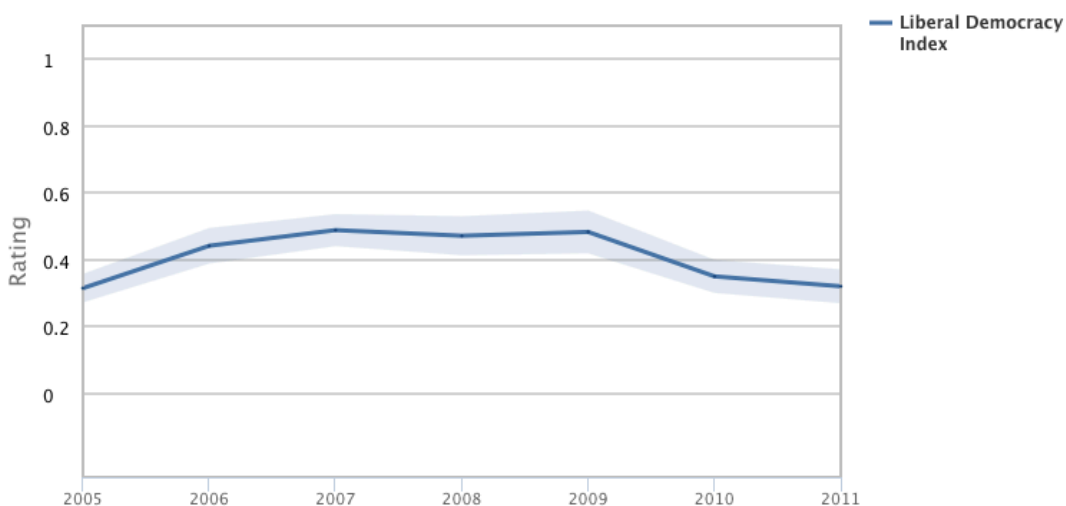


The Freedom of Association Index during the Orange term has improved significantly from 0.75 in 2004 when Kuchma was leaving the office to 0.83 in 2009 towards the end of

Yushchenko's tenure. Figure 8.2 and 8.3 also show that most of the components of the Index (party ban, multiparty elections, barriers to parties; civil society entry and exit and repression) remained consistently stable. It stayed beyond the average high score during 2005-2010, thereby allowing a significant level of political competition in the country during that time. The only indicator that does show a more marked change is 'opposition party autonomy' that dropped from 3.81 in 2009 to 3.19 in 2010. This dynamic is reflective of Viktor Yanukovich's policies towards the opposition as he took power in February 2010, rather than those of Viktor Yushchenko, under whose presidency I observe generally a stable record of high political competition. Hence, I assign **a score of 1** for political competition (on a scale from 1 to 3, where 3 means the highest impact on transitional uncertainty for this component).

Next, I am going to estimate the state-building efforts in Ukraine in 2010 and 2011 as they combine with the democratization process in this time. First, the graph below represents the track of in the liberal democracy index for 2010 and 2011 compared to the previous presidency.

Figure 8.4. Ukraine's Liberal Democracy Index, 2005-2011



According to the figures in this index, Ukraine's democracy was at one of its highest points in the modern history in 2009 at 0.483 (surpassed only by a score of 0.488 in 2007). But in 2010 it experienced a sharp drop to 0.35 in 2010 and then even lower to 0.32. Such decline in Ukraine's democratic record was the single largest change from year to year since 1991. I assign NONE as the level of democratization for Ukraine in the years 2010 and 2011.

As for the state-building efforts, the effective number of parties in 2010 and 2011 remained the same (3.85). However, due to the new law, adopted by Verkhovna Rada in preparation to the parliamentary elections of 2012 that I discussed above, I can observe the effects of Ukraine's change on the two-party vs. multiparty characteristic in the number of the effective parties in the elections of 2012. Thus, the number of effective parties at the electoral level in 2012 was 4.90 based on my calculation¹⁰⁷. This means that Ukraine moved closer to the multi-party system by the end of 2012 as the result of the changed electoral formula.

The next in Lijphart's (1999, 2012) characteristics of political systems on executive-parties dimension I consider is the concentration of executive power in single-party majority cabinet versus broad multiparty coalitions. There were only two Cabinets during the presidency of Viktor Yanukovych. The first was formed two weeks after the inauguration of the new president and the second was formed after the parliamentary elections of 2012. Both Cabinets were headed by the same Prime Minister, Mykola Azarov, which is a sign of a continuity in Yanukovych's policies and governance practices. The first Cabinet of Ministers of 2010 formed by a new Rada coalition of "Reforms and Order" that emerged the parliament on March 10,

¹⁰⁷ The rise and fall in number of political parties in Ukraine also comes closely associated with the rise and falls in political fortunes of the party patrons. In this sense, it may not come as a huge surprise that the regime change itself, not only institutional changes in electoral system, may have an effect on the effective number of parties at electoral level. I thank Erik Herron for this important point.

2010. The coalition was primarily composed of three parties: Block of Lytvyn, the Communist Party and the Party of Regions. In that sense, it did not differ from the two coalitions in 2006 and the coalition of 2008 which also had consisted of three parties each. However, what was different about the 2010 case was that the Reforms and Order also included members of other parties from the traditional political opponents of the coalition – from Our Ukraine, Fatherland and others. This became a point of controversy eventually debated by the Constitutional Court of Ukraine. In the end, allegedly under significant pressure from the top executive (again), the Constitutional Court ruled that such coalition is not in contradiction with the Constitution of Ukraine, despite the Article 59 that does not foresee that deputies who are not members of a fraction could be a part of coalition.

Nevertheless, the fact that 16 additional deputies of Rada who were not members of official party factions that initiated the coalition agreement, were the signatories of the coalition demonstrates, in my analysis, that the Reforms and Order was broader than coalitions of 2006 and 2008. Therefore, it testifies to the fact that Ukraine moved closer in the direction of “parties” to start with on the executive-parties dimension. However, by the end of 2011 Ukraine swung back firmly to the “executive” end, due to the constitutional changes that I describe further below.

The next characteristic on the parties-executive dimension, according to Lijphart (2012), is executive-legislative relationship where either the executive is more dominant or there is an executive-legislative balance. In this regard, I examine more closely the decision of the Constitutional Court of Ukraine on October 1, 2010 to abolish the amendments of 2004. The amendments tipped the distribution of power in favor of Rada and Prime Minister and away from the strong semi-presidential system that coalesced during Kuchma’s rule.

In its 2010 decision, the Constitutional Court reinstated the original version of the Constitution of Ukraine adopted in 1996. As a result, the President of Ukraine received back its prerogatives to select the candidacy for the Prime Ministerial office and Rada would vote on such proposition. Previously, President Yushchenko, according to the 2004 constitutional reform, had to choose from the Rada-proposed candidates. Furthermore, Yanukovych received the reinstated powers to fire the Prime Minister at any point without Rada's approval, which was not the case for President Yushchenko.

More importantly, however, the new presidential powers included appointment and dismissal of all members of the Cabinet of Ministers that previously were divided between presidential appointments of the Ministers of Interior and Foreign Affairs, and the rest were controlled by the Prime-Minister answerable to Rada. What gave the executive even further advantage in 2010 was that any presidential decree then could overrule the decision of the Cabinet of Ministers. This notoriously had slowed down the bureaucratic processes in Ukraine during cohabitation and political feuding between Yushchenko and his Prime Ministers. The Cabinet of Ministers would issue a directive, and Yushchenko would attempt to override it with his decree, the case would end up in High Administrative or Constitutional Court of Ukraine and so forth. Yushchenko continued to challenge the decision and policies of the Cabinet through the courts. Examples included migration policy, the use of state funds and others (Yushchenko Accuses Cabinet in Misuse of 8 Billion Hryvnia 2010, Yushchenko Turns to Constitutional Court re the Law of Cabinet of Ministers 2007). At the same time, the Cabinet challenged Yushchenko back in courts on the constitutionality of his use of veto powers (Cabinet Challenges Yushchenko's Budget Veto at the Constitutional Court 2006). Such disorganization was ended when all power to appoint, dismiss and override the Cabinet of

Ministers was concentrated in the hands of Viktor Yanukovych in December 2010, i.e. when the constitutional changes came into the effect.

In addition, the President had returned prerogatives to appoint and dismiss the head of the Ukrainian intelligence agency, the Security Service of Ukraine which previously had to be coordinated with the legislature. Similarly, as the result of this constitutional reform, Yanukovych could dismiss Prosecutor General without any institutional involvement of Rada in this question. A range of powers in regard to establishing new and reforming or eliminating the existing structures of the central government were also shifted towards Ukraine's president.

Finally, it is worth noting that precisely because the new constitutional order left to the President's discretion the formation of the Cabinet of Ministers, Rada was no longer obligated to create a ruling coalition.

Yanukovych swiftly used his new prerogatives and in December 2010 fired 15 Ministers (while reinstated some of them to different posts) in one day, leaving only 6 portfolios unchanged in Azarov's large 26-member coalition government of 2010. In 2011, such unilateral human resource management on the part of Yanukovych continued: there were three additional new dismissal and appointments of key agency chiefs.

Hence, over all, in 2010 -2011 the Ukrainian political system in terms of executive-legislative balanced shifted strongly towards executive dominance, even to the point that the nature of multi-party Cabinet of 2010 was undercut by the executive appointments granted to the President according to the new constitutional reform. Such overhaul of power was even criticized by the authoritarian leaning ex-president Leonid Kuchma himself (Kuchma Scared of Inadequate President 2010). Thus, I conclude by characterizing Ukraine's 2010 and 2011 as a significant move towards the "executive" end on this characteristic of the dimension.

Finally, as discussed in above, the new electoral law of 2011 reinstated the mixed electoral system, moving it from fully proportional list one. As I showed in earlier parts of the dissertation, the effects of such change are primarily felt at the level of single-member districts. At the electoral level, the reputational assets and damages of political parties during transitions may vary vastly. But the ability of individual candidates to appeal to (and occasionally buy votes) the localized district interests is to the advantage of those ‘pork’-rich candidates who have connection to the consolidated executive powers. Thus, for instance, while the Party of Region was trailing in approval ratings at modest 20ish %, it was nonetheless able to amass a sweeping 113 out of 225 seats in single-member districts.

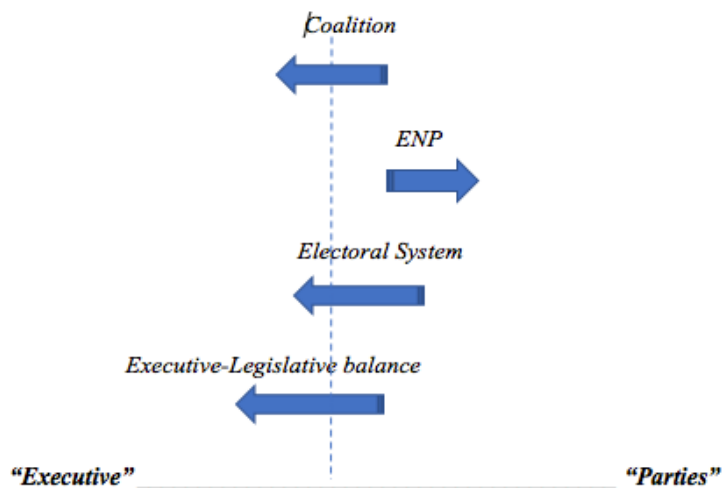
This result was also assisted by a ‘generous’ provision in the new electoral law of 2011 that the district size was allowed to vary by 12 % from 1/225 fraction of total electorate. In practice, it meant that a district could vary from around 181,000 of voters to 142,000 voters in each. But since the authority of setting district boundaries fell on shoulders the Central Electoral Committee of Ukraine, it could conduct redistricting in a manner that would potentially eliminate continuous areas where certain candidates were predicted to win by splitting them and joining them into neighboring other districts with different voting preferences. Political opposition has already voiced their concerns that several districts they were expected to win may disappear, whereas the number of districts with pro-incumbent sentiments is set up to increase through dividing these larger areas into smaller districts in 2011.¹⁰⁸

¹⁰⁸ I explore the reasons behind why such electoral changes were introduced and adopted in Ukraine in my other paper prepared for 2012 Midwest Slavic Conference, available here: https://www.researchgate.net/publication/318041817_Back_to_the_Future_2012_Ukraine%27s_New_Parliamentary_Election_Law_and_its_Political_Beneficiaries

In the end, such gerrymandering did occur and became a prominent topic in the Ukrainian politics in 2012. Opposition parties and local Ukrainian experts confirmed the use of “administrative resource” i.e. the machine politics by the incumbent political actors to the disadvantage their contenders. I direct an interested reader to a more detailed discussion of this in the footnoted sources below.¹⁰⁹ Thus, I characterize the movement of the Ukrainian political system towards the increased “executive” pole end on this characteristic as well during 2010 and 2011.

Over all, the cumulative changes that the Ukrainian institutional set up underwent in terms of the building of the system of governance in 2010 and 2011 could be graphically represented as follows.

Figure 8.5. Ukraine’s Institution Building, 2010-2011



¹⁰⁹ For a start, the expert analysis and discussions in the Ukrainian media include:
http://www.bbc.com/ukrainian/politics/2012/09/120910_kherson_election_sd.shtml?MOB
<http://www.pravda.com.ua/articles/2011/12/2/6802039/>

As the Figure 8. 5 demonstrates, on two characteristics Ukraine moved significantly closer to the “executive” pole on the dimension of executive-legislative balance and electoral system. In the case of the latter, the gerrymandering gap left much wider space for executive maneuvering and vote courting/buying. The country not merely returned to the position of where it was with electoral rules prior to the Orange revolution, but passed the threshold towards the “executive” pole. Further, even though the coalition of 2010 was more diverse in terms of the representatives of the multiple parties as compared to the coalitions that existed before, because of the negated effect of presidential appointments, the arrow of “coalition” also tips over to the “executive” pole on this dimension as well. Overall, I characterize state-building changes in Ukraine over these two years as LARGE.

According to the Table 5.1, LARGE level of state-building efforts and NONE democratization combine produce **a score of 1** for this component that contributes to transitional uncertainty.

Finally, as far as the last component in my measure of the levels of uncertainty in transitional period for Ukraine, the assessment of the economic situation is presented in graphical and tabular form in the following figures.

Table 8.2. Three-year averages of GDP growth rates per capita in %, 2010-2012

	<i>Ukraine</i>	<i>Europe and Central Asia</i>	<i>Lower middle income states</i>	<i>Upper middle income states</i>	<i>World</i>
2010-2012	3.649	1.294	4.398	5.367	2.065

Figure 8.6. Ukraine's GDP growth per capita in %, 2004-2014



What the data presented above demonstrates, is that Ukraine was able to recover from the 2008 financial crisis. Ukrainian economy climbed from -14.421% GDP per capita growth in 2009 to 4.61% in 2010, and continued to grow moderately in 2011 at 5.845%. However, after 2011, Ukraine's GDP growth per capita kept dropping as seen from Figure 8.6. Although 2010 and 2011 saw the largest economic growth in Yanukovych presidency, they were not nearly as high as the highest growth rates during Yushchenko's term. Further, compared to the average three-year growth of both lower middle and upper middle income states, Ukraine was still falling behind these groups of states, as seen from the table above.

And even though Ukraine demonstrated a greater growth than the average for a state in its region and larger than world's level in 2010 and 2011, Ukraine did not overtake these regional and world's estimates by as much as they did in the years preceding the financial crisis

(Table 5.3). Hence, given such mixed record of economic performance I assign MODERATE for the level of this factor that influences transition authority, with a score of 2.

All the factors discussed above summarily contributed to the transitional uncertainty in years 2010 and 2011 in the following manner:

Level of Transitional Uncertainty in Ukraine, 2010-2011:

Pace of Political Transition + Political Competition + State-Building+ Economic Downturn → Level of Uncertainty

1+1+1+2=5 (out of 12) → MODERATE.

In short, having looked at different factors of political, social and economic life, I have determined that in the first two years of his presidency, Viktor Yanukovich faced moderate levels of transitional uncertainty. In fact, the transitional uncertainty decreased in 2010 and 2011 from its high levels during the transitional post-revolutionary Orange years, as a peaceful executive power rotation and authoritarian consolidation provided a general backdrop of stability in governance compared to the previous years. Whereas the Party of Regions and its leader kept sinking in their popularity ratings, Viktor Yanukovich had strong oligarchic interests that were symbiotically and practically backing him. These ties had been strong for many years, and for this research I will look at them from the time of Yanukovich political campaign through the final years of transition when the political system of Ukraine was consolidating and reached a point of “minimal stability” (Francisco 2000, 123). Thus, I proceed to examine the interests of party substitutes that the Ukrainian president pursued in these years, paying especial attention to the foreign policy preferences that Yanukovich–linked oligarchs had at this time.

8.4. Viktor Yanukovych and His Oligarchic “Family”

The corruption of Viktor Yanukovych and the oligarchic clan surrounding him¹¹⁰ has recently become the object of many journalistic accounts and analyses in Ukraine. As the court case against Mr. Yanukovych is being heard in absentia in Ukraine at the time of writing dissertation, there are increasingly more details about his abuse of power, embezzlement and corruption exposed. For illustration purposes, suffice it to mention that Yanukovych’ wealth, accrued by illegal means, became one of the focal points of the next protest movement in Ukraine, the Euromaidan of 2013-2014. After Yanukovych fled the country in fear for his life and safety in February 2014, his infamously opulent 340-acres mansion, Mezhyhirya, was opened to public the following day. It featured a pet zoo, a collection of antique cars, a yachting marina, a bowling alley, a boxing ring, tennis courts, golf course with golden golf clubs among many other well documented extravagancies (Walt 2014). Some sources put Yanukovych cumulative assets at \$16 billions whereas there is evidence under examination of the Ukrainian authorities at the moment that he himself paid at least \$2 billion in bribes (Tucker 2016). In another colorful illustration, Yanukovych’ elder son, Oleksandr, a trained dentist and a Rada deputy increased his wealth by 72 time in three years, from \$7 million in 2010 to \$510 million in 2013, and it was not due to a sudden rise in the Ukrainian dental hygiene, as Havrylyshyn puts it (2016a, 151).

¹¹⁰ Viktor Yanukovych’s circle of closest allies, supporters and sponsors was dubbed “family” by Ukrainian political analysts in reference to an extremely narrow circle of privileged few that he trusted especially in the second part of his presidential term.

What is of interest to my research here is not necessarily the amount of the ill-acquired capital or the details of their growth, but rather the interests of those connected to the top decision makers and the foreign policies they preferred based on their oligarchic interests. Yanukovych's rise to power started at the regional level, as a governor of Donetsk, one of Ukraine's powerhouses for coal mining, metallurgy and other branches of heavy industry that saw violent and sometimes deadly competitions in the early years of Ukraine's independence. Yanukovych along with other key regional actors strategically used local organizational and business resources to build the managerial base for the Party of Regions. This party became a lynchpin for political and oligarchic connections and interests from 2001 to 2015, i.e. from the time of its establishment to its collapse. Immediately after Yanukovych's exodus the Party of Regions fell apart and its head, Mr. Rybak, resigned two days afterwards. This is another sign that the party primarily served the needs and interests of certain figures behind it, rather than functioned to give policy representation to its members and voters. To underscore this point, for instance, in the 2015 local elections, most of the Party of Regions former representatives were going under various new party banners (Dorosh 2015). These were set up and run by the same group of key political actors (Hrushevskyi 2014).

Avioutsii (2010, 127) claims that the Party of Regions was created "in order to achieve a well- defined objective: Prime-Minister Yanukovych victory in 2004 presidential elections," and in subsequent years it transformed only moderately by widening its electoral base outside of Donetsk region. The majority of party control remained behind its indubitable powerholder, Rinat Akhmetov. In author's estimates, "[h]is influence in policy-making is so overwhelming that even his opponents are bound to appoint his representatives to high-ranking posts in the state administration...This is considered a kind of a parallel government in Ukraine. The

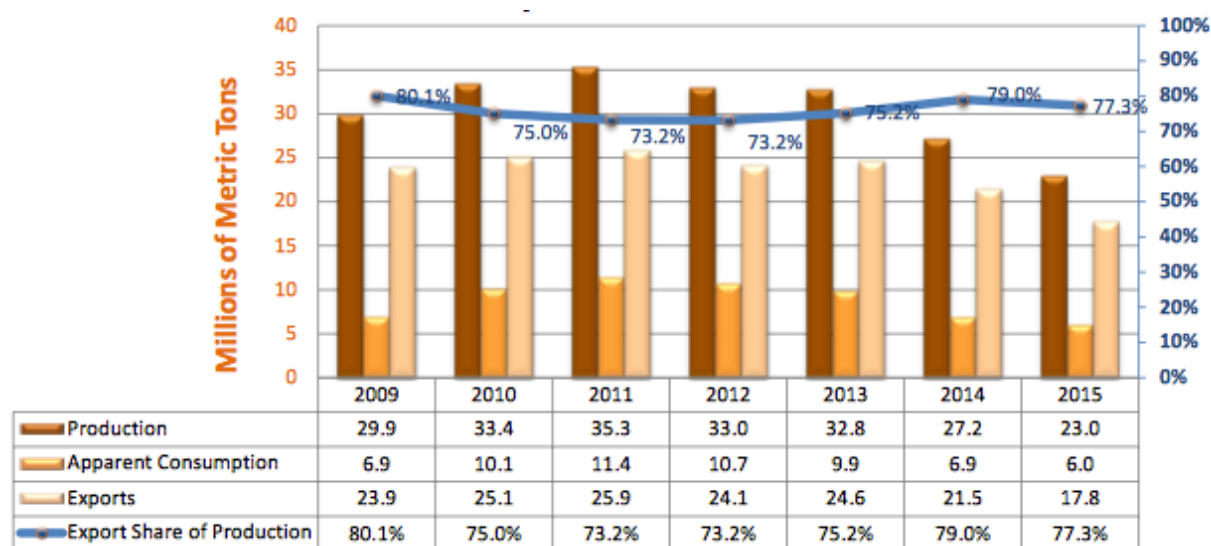
nominal leader of the P(arty) of R(egions), V. Yanukovych, is in fact supported by only a very small circle of party members.” (ibid). Avioutskii further lists ten key oligarchs connected to Rinat Akhmetov and the Party of Regions, whereas Matuszak (2012) provides a more elaborate map of their connections to other political and oligarchic figures.

I will use Rinat Akhmetov’s business interests here mainly as a shorthand for a larger set of oligarchic political orientations that stem from the same regional and industrial foundation. The general basis for this is not only the fact that according to the analysis mentioned above Akhmetov’s interests prevailed in most important political matters handled by the Party of Regions, but also that most of Yanukovych oligarchic supporters were to a degree regionalized (Donetsk) and economically sectorial (metallurgy and mining in Donbass).

Rinat Akhmetov’s major financial and industrial holding company, System Capital Management (SCM) was originally founded in 2000, although his involvement in business goes back to the early 1990s, as is common for most of the Ukrainian oligarchs.¹¹¹ SMC is composed of several dozens of subsidiaries, and by 2010 it was Ukraine’s largest conglomerate accounting for roughly 8% of the country’s GDP (Deals of the Year: 2010 Metinvest 2011). SMC’s most prominent company, *Metinvest* was also Ukraine’s biggest domestic producer of steel by 2010, representing 40% of total iron ore output and 28% of Ukraine’s total steel production (ibid). It should be noted that the predominant part of such production in Ukraine (an average of 75.3% in 2009-2012) is heavily export oriented, since domestic consumption constitutes a much smaller part, as seen from the graph below.

¹¹¹ The story of Akhmetov’s financial rise as a major businessman in Ukraine and the owner of the Ukrainian soccer champion team, Shakhtar, is detailed here: <http://www.espnfc.com/uefa-champions-league/2/blog/post/2664720/the-story-behind-shakhtar-donetsks-owner-rinat-akhmetov>

Figure 8.7. Ukraine's Export Share of Steel Production, 2009-2015



Source: US International Trade Administration, 2016 Report on Ukraine

In practical terms, Rinat Akhmetov's business is primarily export oriented, and both European (Italy, Turkey) and Russian markets are key to making profits in this area. The largest problem for the industry in terms of the EU markets is that the steel sector is considered one of the "sensitive" ones with EU's strong protections towards Ukrainian products still in place throughout 2004-2009. In 2004, prior to the Orange revolution, Ukraine-EU agreement previewed an expansion of the existing quota to 606. 824 tons per year to accommodate for the EU enlarged member-states. The EU quota was increased in 2007 with the condition that the terms of such agreement would expire once Ukraine becomes an WTO member.

Once such status was achieved, Ukraine's steel exports to the EU indeed, saw a remarkable increase: in 2007, the EU's share in Ukrainian steel export was at 17%, whereas by 2010 it constituted 24% (Vlasyuk 2011).

This growth in the EU export share dynamic, however, should be set at the background of a general decline in steel export in Ukraine from 28,2 million ton in 2007 to 23,8 million ton

in 2010. Partially such decline was due to the effects of the global financial crisis of 2008. However, the decline was also observed even prior to that and is attributed to a combination of the drop in world market prices and the rise in natural gas prices for Ukraine (Global Analysis Report for the EU-Ukraine TSIA 2007, 104). The latter was a result of many cyclic gas disputes between Ukraine and Russia in fall-winter seasons of 2005-2006, 2007-2008 and 2008-2009.

In light of such global and regional processes, Ukrainian steel producers since 2009 were operating at much more modest profit margins as compared to previous years, and the production cost was the dominant factor in pricing by Ukrainian steel businessmen (Vlasyuk 2011). Indeed, for a long period Ukraine's steel industry was enjoying one of the world's lowest unit costs in steel production with cheap labor at only 7% of the final product cost (Global Analysis Report for the EU-Ukraine TSIA 2007, 104). But the rise in material costs of the productions that was dependent both on cheap Russian gas and on the old Soviet model of raw material-intensive technologies presented in front of the Ukrainian steel businessman three major challenges in post-Orange years: 1) the input prices needed to be stable, most importantly the prices for the Russian gas; 2) in post financial crisis environment of low profits, the export shares needed to be expanded; 2) outdated technologies had to be modernized by the attraction of new investments.

These were the business interests for Yanukovych-linked oligarchs that translated into their foreign interests of Ukraine's dealing with international partners. Primarily, such interests dictated that relationships with Russia would be stable, uncontentious to the point where the Russian gas prices would not fluctuate as a result of geopolitical punishment for Ukraine's foreign policy behavior that did not align with the Russian preferences. Secondly, the relations with the Russian Federation figured prominently for this oligarchs' industry in the expansion of

their export shares specifically after the global financial crisis that severely undercut the affluent Europe with its steel quotas¹¹² and drove global prices for steel products down to the detriment of the Ukrainian steel business. The investments from diversified financial centers, including from Russia were also much in interest for the major steel producers in Ukraine.

In brief, these three business strategies dictated intensified and expanded cooperation with Russia in the transitional period of 2010 and 2011 during Yanukovych presidency. In terms of the relations with the EU, the Ukrainian oligarchs by 2010 had seen some major benefits from the “market economy” status and WTO accession. But more aggressive movement towards the political integration with EU and its transparency norms etc. could expose their rent mechanisms and require unfavorable changes in the conduct of these affairs. Hence, while expansion to the EU markets was also in Yanukovych party substitutes’ interests, it was not as critical. Rather, the EU needed to be a stable partner and not a whip for changes in the political system where the oligarchs were reaping “krysha” and immunity benefits. Therefore, Yanukovych party substitutes were interested more in maintaining the EU markets open without having to follow new set of rules for their domestic political gambits.

I now turn to examine to see what changes this has produced in the Yanukovych government verbalized and non-verbalized foreign policy behavior that shaped its relations towards Russia and Ukraine during in 2010 and 2011.

¹¹² As a result of 2009 global financial crisis, the EU faced the deepest recession since 1930s and had the sharpest contraction of its GDP, by 4%, in its history. For more, see: http://ec.europa.eu/economy_finance/publications/pages/publication15887_en.pdf

8.5. Ukraine's Foreign Policy: Two Steps Forward, One Step Back with Russia and the EU

Similar to my examination of Viktor Yushchenko's foreign policy, I will now look at Viktor Yanukovich foreign policy as evident from some primary and core documents – his electoral program, inaugural speech to the key governmental documents produced in 2010 and 2011. I will then survey Ukraine –EU and Ukraine-Russian verbalized and non-verbalized foreign policy behavior to determine the level of the foreign policy change that took place in these years.

In his presidential electoral program, Viktor Yanukovich played it safe on the foreign policy count: on one hand, he started with a mention of “global and regional integration” as Ukraine's foreign policy direction, followed by “a progress in Eurointegration” and closed it with the “cooperation with the Russian Federation and other states.”

“The foreign policy, Ukraine's participation in global and regional integration processes, progress in Eurointegration, cooperation with Russian Federation and other states that are our traditional partners will be intensified and serve the national interest and strengthening of our country”(Yanukovich 2004).

In this way, the integration into the EU is mentioned first, but it is set in the context of both “regional cooperation” mentioned right before it. And “regional” for Ukraine may also mean further integration into the Russia-led Eurasian economic structures. Similarly, such context underscored “progress” implying that it was not a start of anything new, but a continuation of what already existed. On the other hand, the Russian Federation is the only country mentioned by name here, which emphasizes its strategic importance – it is specifically singled out from “other states.” In this sense, Yanukovich's electoral program is reminiscent to Kuchma's multi-vektorism that pursued multiple policies without appearing to over-privilege

one to the other, and leaving enough room for interpretation and expansion into any possible direction.

In his inaugural speech, Yanukovych started with the acknowledgement of the electoral “choice of the people” and dwelt on how this was an important and “responsible test” of power transition that was “successfully passed” by the Ukrainian “young democracy” (Yanukovych 2011a). There was a palpable sense in these opening paragraphs that Viktor Yanukovych was acutely aware of the transitional nature of the politics in Ukraine as he was taking over the presidential role, for he also underlined in the second paragraph that such “choice of people cannot be put to doubt by any manifestations of someone’s ill will” -supposedly referring to the challenge he received in election results from Yulia Tymoshenko and her supporters. He further added clarity to that by calling on the opponents to acquiesce to his victory since doing otherwise is both “destructive to the state” and “deeply immoral” (ibid). And he quoted a passage from the Holy Scripture on peace and reconciliation.

As for the foreign policy specifically, Yanukovych continued in the line of his electoral program by emphasizing “equal and mutually beneficial relations with the Russian Federation, the European Union, the USA and other states that influence the development of the international situation.” In this way, the Russian Federation was mentioned first.

But further paragraphs on the integration are put in a more generalized and somewhat ambiguous way. First, the new president mentioned that the global community “needs to unite in the widest format possible” adding that “the humanity, and Ukraine in particular needs the EU in a global sense” (ibid). He then made a quick play on words, explaining that by “the EU” here he meant a “Single World” – the Ukrainian abbreviation for the EU and his coined phrase of “Single World” are the same: ES. And whereas this left again a lot of room for potential

guesses and interpretations as to where these linguistic maneuvers were supposed to lead in terms of the EU vs. Russian economic integration policies, several things were abundantly clear. First, Yanukovych mentioned the Russian Federation first, and then specified that “Ukraine will be an out-of-bloc state” meaning that Ukraine will not pursue any NATO membership prospects, a persistent sore in Ukraine’s relations with Russia as I mentioned before.

In his inaugural speech, Viktor Yanukovych promised that he would soon propose a new Foreign Policy Concept for Rada’s review and adoption. Such document shortly followed, as promised and came into force on July 1, 2010 as the Law of Ukraine 2411-VI “On the Foundations for Domestic and Foreign Policy” (Law of Ukraine 2411-VI on the Foundations for Domestic and Foreign Policy of Ukraine 2010). This Law was very consistent with Yanukovych’ commitment to keep Ukraine out of NATO: it stipulated that previous references in the Ukrainian official documents as to the potential membership in NATO and “Euro Atlantic security systems” should be amended and expunged.

On the point of Ukraine’s relations with the Russian Federation and the EU, this fundamental document was not clearly consistent with Yanukovych’s earlier public statements. On one hand, the Russian Federation disappears from the language of this Law, in contrast to being amply and prominently featured in previous rhetoric. On the other hand, the integration into the EU which was somewhat muffled in his inaugural speech and folded into “regional cooperation” in Yanukovych’s electoral program, now comes significantly to the fore. First, this Law describes Ukraine as “European country” and refers to Ukraine’s commitment to “the European standards” in many aspects of governance and domestic policy – from education to from civilian control over military, market oversight and professional civil service, among others.

The Law also clearly speaks of putting Ukraine's energy systems, including natural gas, oil and electricity transfer networks "in conformity with the European Union's working conditions." Obviously, such stipulation was an attempt to give an assurance to the EU: the Union had been receiving a significant part of its own natural gas imports from Russia through Ukraine, and then suffered from shortages in the midst of Ukraine-Russia gas disputes under the Orange years of 2004-2009.¹¹³

But most importantly, this Law stipulates that one of the key foundations for the Ukrainian foreign policy is "ensuring Ukraine's integration into the political, economic and legal space with the goal of acquiring membership in the European Union." Whereas such position is not at all contradictory to previous statements of Yanukovych, the Law speaks of its in very clear prescriptive terms, without pre-texts and contexts in which such integration could be re-interpreted other than the final goal of membership, not 'progress' or 'association' etc.

How then can all these public proclamations be understood in a summary assessment of Viktor Yanukovych foreign policy positions? What is clear from the purposes for which all these three key documents were created, the Law has more institutional weight and is primarily geared to direct the work of the Ukrainian government agencies in their formulation of policies. For that matter, this Law has significantly less international visibility compared to the electoral program or the inaugural speech. The latter, in fact is closely watched and is delivered in presence of the invited foreign diplomatic corps as the ceremonial procedures of the Ukrainian presidential inauguration prescribes.

¹¹³ For a brief analysis of this interaction, see for instance, the following article from 2015 from the Independent: <http://www.independent.co.uk/news/world/europe/putins-gas-threat-what-happens-if-russia-cuts-the-gas-to-europe-10074294.html>

By contrast, electoral programs can be as specific or as general about foreign policy aspects as a candidate sees fit (recall, for instance, that Yushchenko's program did not proclaim any foreign orientations at all). Such document is designed to target - first and foremost - the Ukrainian voter. It is closely monitored by domestic political opponents and is of some interest to international observers who follow the change of power in a country. The presidential electoral program of Viktor Yanukovych more than anything else was an attempt to appeal to the widest electoral base, essentially the Ukrainian median voter. And so, it includes those foreign aspects that are attractive to the widest number of people, both those who prefer the intensified European 'vector' of Ukraine and those who would like to see reinforced relations with Russia.

The inaugural speech, however, does not serve such purpose. With a still somewhat shaky legitimacy provided by recent general vote, the new Ukrainian president in his inaugural speech was more firmly re-engaging the policy issues that he stood for. In terms of its focus on foreign policy, the inaugural speech caters much more to the international audience and should be regarded as such. Hence, Yanukovych as a President started by appealing to both European and Russian foreign aspiration of Ukrainian voters in his electoral campaign, in Kuchma's multi-vektorism style. Later, he wanted to send a clear message to Russia (and other states) of the prominence of relations with Russia in his foreign policy priorities outlined in the inaugural message. On the inside, however, he preferred his government to work by the European standards and towards the EU accession, without the "red cloth" of NATO membership that was so disturbing to the Russian Federation throughout the years.

In sum, these documents point to no change in foreign policy orientations or goals for Ukraine as far as its relations with the European Union are concerned (integration), but they do

point us in the direction towards a larger shift towards increased cooperation with Russia, as compared to the presidency of Yushchenko. My subsequent analysis of Ukraine's foreign policy behavior towards the EU and the Russian Federation in 2010 and 2011 looks at both verbalized and non-verbalized pieces of evidence that help me to ascertain the precise level of such change.

8.5.1. Ukraine and Russia: The Thaw Settled In

As mentioned in the previous chapter, in terms of the documents that Yanukovych government produced that had Russian Federation mentioned in the title, I observe the following statistic:

Table 8.3. Government Document Activity on Russian Federation under V. Yanukovych

Dates	Number of Documents (N)	Length of term excluding weekends and public holidays (L)	Raw document per day rate (N/L)
02/26/2010-02/22/2014	211	1000	0.21
02/26/2010-12/15/2011 ¹¹⁴	123	455	0.27
12/16/2011-02/22/2014	88	545	0.16

¹¹⁴ I use this date as the time marker of when the new Law of Ukraine on Elections took force and thereby signaled a fully consolidated institutional equilibrium in Ukraine, discussed above.

Hence, we see from the table, the first two years of Yanukovych presidency were relatively busier for the Ukrainian government document activity. A new document was issued almost every three days by various government agencies. In this perspective, it was as active as the document activity of both Leonid Kravchuk (0.27) who directly dealt with the breakup of the Soviet Union and the need to regulate relations with Russia in a new world order. And such Yanukovych government document activity rate is similar to Leonid Kuchma's record for his term (0.25), during which he dealt with border demarcation, new economic system and energy disputes and cooperation with Russia.

On the other hand, such activity subsided significantly in the last two years of Yanukovych' increased authoritarian rule. Indeed, having dropped to 0.16 (a new document was issued less than once a week). In this sense, the latter years of Yanukovych presidency are the same as President Yushchenko's statistic on this count over the time of his term in office. What is important to note is that the initial vibrant record of document activity on the Russian Federation in 2010 and 2011 comes for Yanukovych government precisely at the backdrop of Yushchenko's low rates in this regard. Hence, I observe in these estimates that at the level of effort, Yanukovych' government in 2010 and 2011 experienced a marked change towards an increase in this foreign policy verbalized activity that mentioned the Russian Federation.

As for the non-verbalized behavior foreign policy program, in 2010 and 2011, the Ukrainian –Russian relations saw 73 events. This count over 455 working days of Yanukovych' first two years in office gives a rate of an official event per every 6 working days. This, seems to be lower than Yushchenko's rate of an official event with the Russian Federation every 4 working days. However, a closer examination reveals that the quality of these foreign policy behavior acts was quite different from those that Ukraine engaged in during Yushchenko's term.

First and foremost, the Ukraine's relations with Russia in Yanukovych's term started with a huge culturally symbolic endorsement. The Russian Orthodox Patriarch Kirill came to Ukraine to give a special blessing to the new President in an elaborate ceremony that took place right before the inauguration itself, in the heart of the Ukrainian capital. Some Ukrainian activists urged Yanukovych to spurn such anointing from the Russian power center and resort to local Ukrainian Orthodox leaders. Recall that Patriarch Kirill's visits had been previously regretted by President Medvedev in his open letter as too coldly received by the official Kyiv in Yushchenko's years.

Immediately after the inauguration, the visit of Rada chief followed, and Yanukovych himself visited Moscow on March 5, 2010. Admittedly, such meeting was not as immediate as Yushchenko's second day on the job visit to Moscow. However, Yanukovych visit was better prepared given the passage of time. Moreover, it conducted in extremely amicable terms. Both presidents remarked on the new era in Ukrainian-Russian relations, ending the "dark streak" as President Medvedev described the relations under the previous Ukrainian leader (Harding 2010).

In addition, the very format of these meetings changed as well. The more informal meetings returned: Viktor Yanukovych made a private visit to Russia exactly a month later to celebrate the Easter Monday with Patriarch Kirill and visited a grave of his mentor buried in Moscow (Yanukovych Spends Easter Monday with Medvedev and Patriarch Kirill 2010). He also met with President Medvedev in his out-of-city residence, for an informal dining, a tour of the residence and talks. The "diplomacy without ties" was back in the arsenal of the Ukrainian foreign policy tools.

Other Ukrainian agency chiefs followed the suit. The Ukrainian Prime Minister and the Minister of Foreign Affairs and Ministry of Education all forged cooperation through visits and document signatures in the first one month of the new presidency. Such activity culminated in a single most important agreement Ukraine concluded in Russia since the 1997 Friendship Agreement: the Kharkiv Pact. This document was signed barely two months into Yanukovych presidency on April 21, 2017 and reverberated the Ukrainian politics at all levels. The pact foresaw the lease of the Sevastopol base to the Russian Fleet until 2042 at \$100 million a year, subject to automatic renewal every five years unless parties inform each other of an intended changed a year prior to the end of the lease. Further, the gas price was fixed at \$333 per thousand cubic meters of natural gas supplied from Russia at which point, Ukraine's gas payment is decreased by \$100 per m;³ and if the existing price would be at a lower than \$333 level than it will be reduced by 30%. The Pact was ratified in Kyiv and Moscow on April 27, 2017.

Such agreement, on one hand, was of remarkably high level between the two states. Against the basis of about three hundred legal acts signed by Kyiv and Moscow, it stands out as one of with the widest scope in terms of military, security and economic impact for Ukraine.¹¹⁵ On the other hand, the text of the Pact itself is very clear that its legal foundations draw on the Friendship Agreements of 1997. And the advocates of Yanukovych policy did not tire to point out to their opponents that there is a clear continuity in how Ukraine had treated Russia in terms of the lease of the Sevastopol base and in how they intended to continue to do so.

¹¹⁵ A full list of Ukrainian-Russian official documents is available here: <http://russia.mfa.gov.ua/ua/ukraine-ru/legal-acts>

Additionally, whereas the Kharkiv Pact agreement proponents underscored that such an agreement was a continuation, not a fundamental shift in Ukraine's relations with Russia, Yanukovich foreign policy remained otherwise strong and largely unmovable on several other issues. Among them was Ukraine's consistent and nonnegotiable refusal to combine the assets of the Ukrainian Naftohaz and Russian Gazprom at the Russian repeated suggestion. Another nonnegotiable position for Ukraine was non-acknowledgement of the independence of Georgian breakaway regions of South Ossetia and Abkhazia, propped by Russia. But perhaps most importantly for Ukraine's economic and political position, during many visits that I trace in the Ukrainian foreign affairs chronicles of 2010 and 2011, the Ukrainian representatives time and again refused to negotiate the country's membership in the Russian economic project of the Customs Union that was designed to counterbalance the EU regional economic potential.

The Eurasian Customs Union was established on January 1, 2010, prior to Yanukovich taking office and was composed of Armenia, Belarus, Kazakhstan and Kyrgyzstan and Russia. The states did not levy the customs on goods traded across their borders, but did impose a common external tariff on all goods entering the Union. The Ukrainian authorities since Kuchma were leery of creating customs union of such format. They insisted on the free trade zone that would not penalize the flow of the EU goods through its most extensive border. In this sense, the Ukrainian position was neither new nor changed and was strongly upheld throughout 2010 and 2011.

Finally, in the Ukrainian chronicle of the relations with the Russian Federation, I also observe an increased military cooperation and contracting that took place in these two years, in addition to multiple cultural events that intensified on the level of cooperation between local Ukrainian and Russian communities and regions. Some prominent examples include the first

since 2003 joint navy training, “Farvarter Myru” (“The Forwarder of Peace”) in June 2010 and trilateral military training with Belarus in October 2011.

To recapitulate, Yanukovych’s foreign policy towards the Russian Federation shows the increased record of the verbalized activity in the document production by the Ukrainian government in 2010 and 2011. Similarly, compared to the account of non-verbalized foreign policy behavior, Viktor Yanukovych presidency in 2010 and 2011 exhibits a higher level of engagement in terms of the number of events that took place in relations between the two states. Looking deeper at the quality of non-verbalized foreign policy records, I note that new means and methods were applied by Ukraine in this time frame. The Black Sea Fleet lease was renegotiated between the states in the new Kharkiv Pact. Ukraine renewed military exercises with Russia and the two states reinstated “diplomacy without ties.” This change in foreign policy was not of the level of goal change, however.

As evidenced by Ukraine’s refusal to join the Customs Union and insistence on non-integration of the assets of the two countries energy agencies, in 2010 and 2011 Yanukovych was not pursuing an economic or political merge. Rather he attempted to restore the amical and cooperative relations that had existed prior to the Orange revolution. Therefore, I qualify such foreign policy change as PROGRAM CHANGE, where “what is done and how it is done changes, but the purposes for which it is done remain unchanged” (Hermann 1999) and that is what occurred in Ukrainian foreign policy toward Russia in 2010 and 2011.

8.5.2. Ukraine and the EU: The Growing Pains

The Ukrainian government under President Yanukovych issued only 13 documents mentioning the European integration in the title over the span of 1,000 working days. This, however, should be taken in the context of other documents that may not have had integration to the EU in their title, yet prompt at it in the main body of the text as did the Law on the Foundations of the Domestic and Foreign Policy of Ukraine. Such lack of new document visibility, however, was not due to a lack of EU-Ukraine interaction. Thus, during 2010 and 2011, there were 40 events recorded, which means that the official representatives had a publicly recorded interaction at least every 11 days. This also stands in contrast to President Yushchenko and his team track of about 1 comparable event every 7 working days. By contrast, Yushchenko's government's new document rate activity generated seven times larger output than that of President Yanukovych's in relation to the integration into the EU.

Having observed such decline in the efforts of foreign policy conduct by Ukraine in 2010 and 2010 in relation to the EU, it is worth examining whether there is also a change in the means, methods and goals of these relations on Ukraine's part. As far as Ukraine's goals with the EU are concerned, I already showed through the analysis of Yanukovych's electoral, inaugural documents and the above-mentioned Law, that the European integration remained on Ukraine's agenda with the EU. In fact, Yanukovych further underscored this point when he planned his first official visit as a President to Brussels on March 1, 2010. This move was reminiscent of the typical Ukrainian method of reassuring a partner of Ukraine's commitment to good relations. Yushchenko similarly made his first official visit to Russia, the potentially disturbed party in 2005.

The level of Yanukovych's Brussels visit was the highest possible. He met with the heads of the European Commission, the European Council, the European Parliament as well as

EU's High Representative for Foreign Affairs and Security Policy. During the visit, the habitual issues were discussed: the Association Agreement, including trade and visa free travel for the Ukrainian citizens.

The importance of such first official Presidential visit is also evident from the fact that President Medvedev who met with Yanukovych only four days later asked the Ukrainian President why the EU was the first on his list rather than Russia. To which Yanukovych replied, dodging an edgy question, that the EU invitation came to him first. Hence, the symbolism of timing and the level of these official meetings was not lost on the official Moscow and therefore must have been considered by the Presidential team when Yanukovych's travels to the EU and Russia were planned promptly after his inauguration and closely in time to each other.

Apart from exchanges in official visits, meetings, negotiation, and the like, Ukraine also continued those means and methods that were introduced or launched during the Orange regime. Thus, the Twinning program was continuing its charted course both in terms of the funding, the participating Ukrainian agencies and EU country partners. My examination of the chronicled records of the Ukraine-EU relations shows that the EU questions in 2010 and 2011 were routinely handled by Prime Minister Azarov at the request of the President of Ukraine, signifying that Ukraine continued to place prime focus on its relations with the EU.

Hence, the verbalized foreign policy of President Yanukovych in 2010 and 2011 showed that the goal of integration into the EU remained prominent in Ukraine's relations with the Union. Yet at the level of efforts that was put in both document activity and in the number of events that took place between Ukraine and EU official representatives, Ukraine's foreign policy was adjusted to a less intense level. Means and methods of conducting the relations with the EU remained without any new Ukrainian initiatives in 2010 and 2011. Therefore, the

foreign policy change that Ukraine saw during President Yanukovich's first two years in relation to the EU was that of ADJUSTMENT.

Another point remains to be clarified before I conclude this subsection on EU-Ukraine in final years of political transition. This analytical point is in relation to the above discussed difference in foreign policy *behavior* and *outcomes*. Whereas the Ukrainian foreign policy behavior targeted the same goals, with the same means and methods but with a lessened effort, the results in EU-Ukrainian relations in 2010 and 2011 left much to be desired. Partly this was in connection with the position that the EU took on Ukraine's negotiations with Russia on the Customs Union. In particular, only two days after President Yanukovich reformatted his relations with Mr. Medvedev to "diplomacy without ties" in April 2010, the Director General for External Relations at the European Commission indicated that EU-Ukraine Association agreement was an impossibility if Ukraine became a member of the Customs Union. This put Ukraine in a position of a delicate balance between the growing Russian pressure to join the Customs Union and potentially losing on the count of one of its main strategic goals, i.e. being integrated into the EU's political and economic space.

Another unforeseen development in Ukraine-EU relations was the effect of Ukraine's domestic authoritarian consolidation. Several high-ranking EU officials took a very strong position on the imprisonment of Yulia Tymoshenko in 2011. She was personally well known to many EU political actors, and eventually was strongly advocated for by her political allies and her own daughter who made a case on her behalf throughout Europe and the US. The tension with the EU over such politically motivated persecution grew to the point that eventually the EU made the continuation of the association talks conditional on the improvement of the situation surrounding the case of Yulia Tymoshenko. Yanukovich response was evasive in this

regard. He presented the matter as domestically conducted act of justice, performed in compliance with the existing Ukrainian law and therefore as something that held internal legitimacy in Ukraine. Therefore, in his argument, it should not be affecting the international relations between the two partners. However, at the end of 2011, Yanukovych government failed to employ any new means or methods in foreign policy behavior that would adequately address the issue. Conversations, statements and talks continued in the format that had seen before between the two sides, only with the added weight of Tymoshenko case.

To synopsise, in this section 8.4 I have examined the evidence from both verbalized and non-verbalized foreign policy behavior of Ukraine towards the Russian Federation and the EU. In the case of the former, I noted that Ukraine underwent a larger foreign policy change at the level of PROGRAM. The goals for beneficial cooperation with Russia remained, but there were new and reinstituted means and methods of conducting these relations in 2010 and 2011. Regarding the EU, in the first years of Viktor Yanukovych presidency, Ukraine reaffirmed its unchanged goal - the integration with the Union. However, in contrast to its relations with Russia, Ukraine's put less effort towards the implementation of such goal both on the counts of verbalized and especially at non-verbalized foreign behavior. Additionally, as Ukraine saw worsening of the relations with the EU over the case of Yulia Tymoshenko or in the context of the non-compatibility of the EU and Customs Union integration, in 2010 and 2011 it did not use any new ways and means to address these challenges. Hence, I conclude that there was a foreign policy change of ADJUSTMENT in Ukraine's relations with the EU in these two years.

8.6. *Foreign Policy Changes and Yanukovych's Party Substitutes*

In the subsection 8.3 I discussed Viktor Yanukovych's connections to oligarchic circles that formed his party substitutes. I presented an overview of the macroeconomic situation in the steel industry of Ukraine that prepared the ground for the foreign policy interests these actors had during Yanukovych's presidency. In particular, I showed how in the aftermath of the global financial crisis, Ukrainian oligarchs who threw their weight behind the new President were generally oriented towards securing the fluctuating prices for Russian natural gas. I also stipulated how important it was for them to continue to expand their trade flows with EU and Russia in particular. Further, I underscored that finding new sources of investment was looming large for the Ukrainian producers in the context of outdated Ukrainian technologies and global economic prognosis for the steel market.

In this section, I will dissect how these party substitutes resurface in the foreign policy changes that I have determined in the previous section. More specifically, I will look at the activity, profits and prospects of steel industry in the first years of Viktor Yanukovych presidency.

Rinat Akhmetov's core company SCM prides itself on its global connections. Indeed, by 2016 it had representations in a variety of European states. Its major revenue generating sector, metal and mining, is primarily concentrated in Ukraine. But after Ukraine, the EU comes prominently on the list with 6 SCM representative offices. In this context, Rinat Akhmetov's interests for Ukraine's foreign policy were to continue with the charted course with the EU, and the stabilize and expand of the business relations with Russia.

By the end of 2009, Metinvest exports to Europe plummeted because of the global financial crisis, although they enjoyed a remarkable growth in the previous years due to the changed 'free market' status and WTO accession. The graph below shows that Metinvest sales

in the EU where three times larger in 2008 than its sales in Russia. However, by the end of 2009, that gap significantly closed as all sales declined and the export to the EU and Russia was at the same levels (Figure 8.8). The overall Ukraine- Russia trade flows were recovering fast, and July 2010 levels already reached the pre-2008 levels, according the remarks made at the meeting of the Ukrainian and Russian Presidents celebrating the Day of Russian Fleet in Crimea. Hence, Metinvest pursued the Russian direction for its trades more vigorously in 2010 and 2011 than before.

Figure 8.8. Rinat Akhmetov's Metinvest Export by Region, in Million USD



Legend: Dark Blue=Europe; Light Blue=MENA; Gray=CIS

Source: Center for Transport Strategies, Kyiv, Ukraine.

Thus, by the end of 2011 Metinvest almost tripled its export to Russia, and in fact Metinvest Eurasia, its regional arm that started in 2008, was expanding very quickly in 2010 and 2011. By the end of 2011, it had 24 warehouses throughout Russia, and it was the growth “from zero.” The company earned an award as “The Best Sale Distribution Network in Russia”

at Moscow international metal industry conference in November 2012. The sales of sheet metal alone for Metinvest Eurasia rose by 27% in the first half of 2010 and by 45% in the first half of 2011. And its plans for 2012 were to increase these numbers by yet another 25%. Every year on the Russian market, Metinvest Eurasia on average would add 21 new products in its sales to the Russian market. And more broadly, from 2010 to 2016 it offered the Russian buyers a total of 146 new products.¹¹⁶ All this growth should be evaluated on the backdrop of the Russian Federation itself being the world's fourth largest steel exporter (Steel Export Report: Russia 2016).

In addition to making profits and winning awards on competitive Russian market that is already full of global steel players, Metinvest was able to successfully attract Russian capital for its own investment purposes. Thus, one of the world's deals of the year in 2010, according to Trade and Forfeiting Review, was \$700 million pre-export finance that Metinvest attracted with the "rare" participation of Russian investors (Sberbank and Gazprom). The deal was remarkable both in terms of being one of the biggest structured transactions in Europe and Middle East in 2010 (according to MLA WestLC), but also precisely because of such syndication of "Russian banking fraternity" (Deals of the Year: 2010 Metinvest 2011).

To summarize, I traced Viktor Yanukovych party substitutes' interests both prior to his taking office and in 2010 -2011, when the changes to Ukraine's foreign policy were introduced. I argued that the oligarchic circles behind the new President were interested in maintaining the relationship with the European Union that they were developing due to the profit trajectory that these business elites had already experienced with Ukraine's new 'market economy' status vis-

¹¹⁶ This information was collected from the company's official website: <https://www.metinvestholding.com/ua>

a-vis the EU and the WTO membership. A more aggressive integration with the EU would potentially threaten these oligarch's domestic political rents by forcing them as politicians to be more transparent and abide by the rule of law that the EU promoted. Such EU position was evident from the Union's pressure on Ukraine over the Tymoshenko case. Thus, the oligarchic elites pursued more modest progress pace in Ukraine's existing policy course towards the EU integration. As a result, the Ukrainian foreign policy towards the EU experienced only an adjustment change.

On the other hand, the global financial crisis and unseen fluctuation of gas prices set by the Russian supplier, prompted Yanukovich-tied oligarchs to strengthen the connections to both Russian export markets, Russian capital and, more importantly to secure gas prices. This necessitated Ukraine's pursuit of the foreign policy towards Russia that showed new and renewed efforts, means and methods of cooperation. My analysis of the profits and dealings of the oligarchic party substitutes of Viktor Yanukovich confirm that indeed, the oligarchic business with connections to Yanukovich benefitted from such policies and even expanded on the tough Russian steel market.

Overall, in this empirical chapter I have shown that Ukraine was still undergoing transition when the new President, Viktor Yanukovich took power in early 2010. While the Orange leaders were unable to bring government institutions in conformity with their declared revolutionary goals, Yanukovich's authoritarian consolidation put an end to such process by the conclusion of 2011. The country significantly shifted to the semi-presidential form of government with an overpowering role of the executive. The first two years of the presidency for Viktor Yanukovich were still characterized with moderate uncertainty under which he was compelled to consider the interests of his primary domestic actors - the oligarchs who

functioned as party substitutes in this regard. Connected to him through a straight link to mining and metallurgic Donbas region, these groups were reoriented towards the intensified relations with Russia by the end of 2009. They needed stable prices for natural gas, more investment and more market share in Russia, as global financial crisis undercut their revenues significantly.

But on the EU side, having reaped initial benefits from eased trade with the Union, these business elites were keen on keeping that relationship yet without necessarily redrafting Ukrainian domestic political system according to the EU pressure or standards. This it would require oligarchs to act more transparently, lose profitable rents or immunity and comply with the norms that disallow the use of political machinery towards personal enrichment goals in general. The case with the persecution of Yulia Tymoshenko underscored the EU's high intolerance for such actions. What defined oligarchic interests in Ukraine's foreign policy toward the EU was the continuation of business as usual without much aggressive reinforcement.

This was indeed, turned out to be what Viktor Yanukovich put in action in the first two years of his presidency. First, the relations with Russia experiences a program change in foreign policy. New and reinstated means and methods were applied. They were hallmarked with the Kharkiv Accords aimed to stabilize gas prices and generally improve relations with Russia. Towards the EU, Ukraine's level of efforts to achieving the same goal of EU membership was decreased. No new means and methods was applied handle a crisis surrounding Tymoshenko case or a conflict surrounding Ukraine's potential membership in Eurasian Customs Union. Thus, Ukraine experienced only an adjustment change in these two years as far as its EU foreign policy was concerned.

This concludes my empirical investigation of foreign policy change under the conditions of transitional uncertainty that Ukraine experienced in 2005-2011. I now turn to discuss and summarize these results in the concluding Chapter 9 to follow.

Chapter 9

CONCLUSIONS AND DISCUSSION

9.1. *Assessment of Research Results*

This research was originally conceived as an empirical puzzle: over the span of a decade, from 2004 to 2014 Ukraine saw two revolutions that rocked its political and social life to the very core. At the same time, the country showed signs of seemingly opposing foreign policies vacillating between closer ties with the EU to its west, and the Russian Federation to its east. Mr. Viktor Yushchenko, who took power after the Orange protests, was initially lauded as a great reformer, able to bring Ukraine into the fold of the European Union. Despite these expectations, no membership prospects were secured for Ukraine by the end of his term. On the other hand, his opponent with a long-standing Russian support, Mr. Yanukovich, once at the helm of the state, often passed for an EU enthusiast, and even went as far to state that “beyond EU, Ukraine has no other alternative” (Yanukovich Says Ukraine Has No Other Alternative but the EU 2013).

As I set to investigate the driving forces that were shaping the foreign policymaking in Ukraine in these years, I posited that it was precisely because such policies were shaped in an uncertain post-revolutionary transitional political environment that we are able to see seemingly contradictory results in Ukraine’s relations with the EU and Russia. I elaborated a new causal mechanism to explain the connection between transitional political uncertainty and foreign policy change:

Transition (impacts the level and nature of) → Uncertainty (shortens time horizons for)
→ Foreign policy decision maker to consider voter vs. sponsor interests (sets the course for)
level of foreign policy change.

This mechanism reveals the connection between the transitional uncertainty and the interests that political actors pursue, eventually leading to concrete course of foreign policy that may change as a result of it.

My theoretical framework for this mechanism was grounded in a combination of insights from both comparative and international political science research alike. From the foreign policy literature, I drew heavily on the cognitive approaches to the political decision making that conceptualize uncertainty as an analytical equivocality caused by a wealth of information (Iida 1993; Rathbun 2007). From the poliheuristic theory, I adopted the theoretical proposition which underscored the importance of the domestic, non-compensatory dimension of every foreign policy decision (Mintz 2005). Finally, I borrowed from the growing foreign policy analysis literature that offers ways to differentiate diverse levels of foreign policy change. (Gustavsson 1999; C. F. Hermann 1990).

From comparative literature, I relied on the existing scholarship dealing with party systems in developing states. I incorporated theoretical insights from Lupu and Riedl (2013) and Jung and Deering (2015) who stress the impact of uncertainty on strategies of political actors in transitional domestic politics. I further tied these insights to Henry Hale's research on alternative actors of prime consideration for leaders in developing states, the so-called 'party substitutes' (2005). Finally, I used clear theoretical guidelines on the beginning and end of transitions from Ron Francisco (2000) and on patterns of institutional design from Lijphart (2012).

According to my theoretical proposition, volatile political setting in transition puts distinctly different constraints on political actors: they have shorter time horizons and thus seek not the reelection per se, but political and personal benefits from more long-term-oriented actors

in the system. Such actors, the ‘party substitutes’ are able to deliver these political and personal benefits in highly uncertain environment.

Ukraine at the brink of 2004 had a distinct group that fitted in this category - the country’s oligarchs, one of the world’s richest and most deeply imbedded in the political system of the country. Following my line of argument, I posited that because of such close link between the high-ranking officials at the top of the state to their oligarchic sponsors, the foreign policy of Ukraine in transitional years may reflect the interests of the party substitutes. Hence, my variable of interest, foreign policy change (or lack thereof) could be theoretically and empirically traced to the impact of transitional uncertainty. This, I argued, constituted the causal mechanism that explains the foreign policy change in transitional environment. The scope conditions of political transition generate new levels and kind of uncertainty. Foreign policy change is thus generated according to the new interests that transitional leaders pursue under impact of transitional uncertainty. The causal mechanism proposes that in conditions of stringent transitional uncertainty, political decision makers consider first and foremost the interests of their political sponsors rather than voters.

My methodological approach was rooted in process tracing that has been recently ‘refitted’ to better respond to the challenges of empirically detecting the causal links in a single case studies in social sciences (Beach and Pedersen 2013; Bennett 2010). I applied process tracing to each element of my causal mechanism in order to present rich evidence at various levels of analysis:

- at the individual level, I described Viktor Yushchenko’s and Viktor Yanukovych’s personal connections to the Ukrainian oligarchs in conjunction with their business interests and foreign policy preferences;

- at the group level, I analyzed how new political forces mobilized for political transition in 2000, and looked at the Ukrainian party politics as well as at the emergence and development of the Ukrainian oligarchy as a distinct political group;
- at the state level, I examined the Ukrainian institution building in 2005-2011, the democratization process and overall economic indicators with specific trade flows;
- finally, at the international level, I pointed out different international responses to the Ukrainian foreign policies, such as gas disputes, Russian security concerns regarding NATO expansion; and the impact of the EU's enlargement and Eastern Neighborhood Policy.

Such variety of evidence collected at different levels of analysis was rigorously rooted in each step of the proposed causal mechanism. I linked these diverse levels in order to give a mid-range theoretical explanation to a complex social phenomenon that is, in fact, an outcome of activity and interaction of many individual actors, groups and structural conditions. Such approach, in fact, is in conformity with the modern call and challenge for the foreign policy analysis to integrate levels of analysis and help us to see a more complete picture of intricate psychological, social, economic and international factors that all play into the formulation and implementation of foreign policy in the 21st century (Hudson 2013).

My empirical results showed that transitional uncertainty did have causal connection to the interests of oligarchs in the Ukrainian politics when it came to foreign policy. Viktor Yushchenko, tied to business elites who preferred the economic connections to Russia to be largely undisturbed, whereas the EU markets to become increasingly open to their products, adjusted the Ukrainian foreign policy by putting less efforts towards the existing cooperation with the Russian Federation. As regards the EU, Yushchenko's goals were not different from

his predecessor, President Kuchma, who aimed for an eventual integration into the Union for his country. In line with the oligarchic interests, Yushchenko changed the program of Ukraine's foreign policy by adding new means and methods of pursuing the same goal. His failure on both counts – to establish friendly and mutually beneficial relations with Russia and to get clear prospects of the EU membership for Ukraine – was not simply a misfit of goals and means, but rather a result of a complex interaction with these partners. My conceptual differentiation between foreign policy behavior and foreign policy outcome helps to disentangle the empirical puzzle that gave an initial impetus to this research.

Similarly, Mr. Yanukovych as a President prior to his tenure in office formed strong connections to the oligarchic circles from his native Donbas. The industrial base of this region and its oligarchs had been traditionally strongly linked to favorable economic relations with the neighboring Russia. But the global financial crisis and troubles with natural gas prices under President Yushchenko even further prompted these oligarchs and Viktor Yanukovych to seek improved and stable relations with the Russian Federation. This was solidified in the Kharkiv Pact between Ukraine and Russia where Ukraine traded relative gas price stability for prolonged stationing of the Russian Fleet in the Ukrainian waters. On the other hand, with the EU, the preferences of Yanukovych-tied Ukrainian oligarchs were to continue favorable economic relations, but not to proceed with decoupling of politics and their personal rents under the watchful eye of the EU. Yanukovych pursued the same goal that Yushchenko did, the EU integration. However, he did that with a decreased effort in 2010 and 2011, by adjusting Ukraine's verbal and non-verbal foreign policy efforts in this regard. In conclusion, I have shown both in the case of the first post-Orange President Yushchenko and his successor President Yanukovych who both operated in transitional environment that the causal

connections between Ukraine's foreign policies and the oligarchic interests were born out as suggested by the causal mechanism under study.

9.2. Discussion

Such results leave room for both discussion and further elaboration. First and foremost, a question may be posed as to the uniqueness of the evidence presented here that would reasonably lead to the results I came to. That is, could my explained outcomes be a result of some other causal chain or of an impact of another single factor? Admittedly, it is not possible to evaluate a different set of hypothesized causes with the mechanism I suggested. In other words, if foreign policy change in transitionary Ukraine was caused by a completely different set of actors and structures, then I cannot simply add them to the model just as easily as a quantitative analysis would add a control variable and keep estimating the same model. In this case, an alternative explanation with an alternative causal mechanism should withstand its own test of evidence, on its own merits.

For instance, the foreign policy of Ukraine in 2005-2011 could be claimed simply a result of a geopolitical interplay between the big powers, the EU and Russia, rather than more deeply and organically grown domestic process as I suggest. In this case, such alternative explanation needs to face its own potential criticism. For instance, this explanation may fall short justifying a range of geopolitically smart positions that Ukraine should have taken long time ago, yet failed to do so. For example, the NATO membership in such neorealist geopolitical analysis should have been Ukraine's primary security goal way back when Russia started to 'flex the energy muscle' during President Kuchma presidency in early 2000s. In fact,

the theoretical primary fault line of these neorealist approaches is that they tend to ignore smaller states in principle, and focus on big powers and their security preoccupations. Hence, they are not able to holistically explain the Ukrainian foreign policy, with attention to domestic processes that generate it.

An array of recent scholarly work demonstrates it.¹¹⁷ In a ‘hot fashion’ to explain away “the Ukraine crisis,” these approaches focus on the conflict between the EU, Russia and the US. The very term “the Ukraine crisis” presents Ukraine as an objectified topic, rather than a legitimate international actor of its own accord. The term ‘crisis’ implies urgency as in ‘crisis management,’ when in fact, this “crisis” should be rather viewed as an international and internationalized war fought within borders of one state, and it has been waged for over two years now with a loss of over 10,000 lives as of the time of writing of this work.

On the other hand, some alternative theoretical propositions could be evaluated against the general logic of the policymaking in transitional politics that my suggested causal mechanism implies. Thus, for instance, it could be argued that the changes in the Ukrainian foreign policies towards the EU and the Russian Federation in this time frame were due not to the interests of the oligarchs who stood behind the policymakers, but rather due to the policy preferences of the Ukrainian voters. Such proposition does not dismiss the initial premise in the mechanism, i.e. that transition leads to uncertainty. However, it targets the next link in this causal chain which posits that uncertainty focuses leaders on sponsor groups other than voters. In order to evaluate this alternative explanation, I would need to examine - similarly to the analysis I have done for Viktor Yushchenko and Viktor Yanukovich’ oligarchic connections -

¹¹⁷ For instance, Smith (2016), Tolstrup (2013), Matlary et al (2016) are some recent examples.

the profile of their respective ‘median voters’ and their preferences. This line of argument would also require proving the saliency of foreign policy issues for the Ukrainian voter as well.

Alternatively, since the presidential candidates in all-national elections aim to capture as many votes as possible, it could be argued that in this case, the policy preferences of the greatest voter group were reflected in Yushchenko’s and Yanukovych’s eventual foreign orientations. Whereas the Ukrainian public opinion in foreign policy for an earlier period has been analyzed elsewhere (Chudowsky and Kuzio 2003; Copsey 2013), a quick look at the data from the reputable sociological surveys by the Institute of Sociology at the National Academy of Science of Ukraine demonstrate that the public opinion of the Ukrainians at the national level cannot adequately explain such foreign policy variation:

Tables 9.1 and 9.2 Ukrainian Public Opinion on Russia and the EU, 2000-2013

What is your opinion on Ukraine’s accession to the European Union? I am ...

	2000	2002	2004	2005	2006	2008	2010	2012	2013
Rather negative	9.6	15.0	11.7	19.9	23.2	18.8	19.1	22.1	27.9
Hard to say	34.4	40.1	39.7	32.9	33.8	36.9	35.3	31.8	30.3
Rather positive	56.0	44.4	47.9	47.2	43.0	44.1	45.5	45.9	41.6
No response	0.1	0.6	0.6	0.1	0.0	0.2	0.1	0.2	0.2

What is your opinion towards the idea of Ukraine's joining the union of Russia and Belarus? I am...

	2000	2002	2004	2005	2006	2008	2010	2012	2013
Rather negative	37.0	23.1	20.1	27.8	24.7	24.2	22.1	24.6	28.5
Hard to say	22.2	18.8	16.8	18.4	14.3	15.4	16.3	18.7	22.4
Rather positive	40.8	57.8	62.8	53.6	61.0	60.2	61.4	56.3	48.9
No response	0.1	0.3	0.3	0.1	0.0	0.2	0.2	0.3	0.2

Source: 2013 National Academy of Science of Ukraine Omnibus.

Indeed, as seen from the tables above, Ukrainians were as negative about the accession to the EU in 2005 as they were in 2010, that is in the first year of President Yushchenko and of President Yanukovich, respectively. Equally, Ukrainians were as positive about the idea of Ukraine's joining Belarus in a political and economic union with Russia in 2005 as in 2010. Thus, such short overview points to the difficulty of explaining the variation in Ukraine's foreign policy in these transitional years as based on leader's orientations towards voters' preferences. Some further geographical breakdown of this data may, indeed, be useful, yet the variation in these statistical numbers is not as large at this first look as to be able to explain the variation in levels of Ukraine's foreign policy change that I have traced.

9.3. Future Research

This discussion leaves an interesting open door towards the analysis of the current processes that are underway in today's Ukraine. If, we considered that the Euromaidan movement ushered in a new transitional period for Ukraine, and that the military separatism on

the East of the country is still threatening the political stability, it signals that the current transition in Ukraine is far from being over. It is especially so due to the fact that the reforms to the political system in accordance with the values of the Revolution of Dignity have not been firmly put in place. It is logical to conclude, according to my suggested causal mechanism that oligarchic interests are still calling the shots as far as the foreign policy of the country is concerned. Indeed, the emerging political commentaries on the matter which bemoan Ukraine's declining democratic freedoms and criticize Mr. Poroshenko's government as no different from corrupt ways of Mr. Yanukovych- all the while Ukraine's trade with Russia shows signs of great recovery despite economic sanctions - are preliminary signs that the theoretical propositions elaborated in this paper hold true. This could constitute the next possible application of my research project that would more vastly undergird the period from 2000 to present, when Ukraine has been attempting more firmly hit the iron of its economic, political and cultural future in the globalizing world of the 21st century.

A more comparative future work also could take into consideration the similar processes of transition in the post-Soviet space. The causal mechanism could be brought to bear on other transitional countries that similarly struggled or are still struggling between the interests of its oligarchic groups and the challenges of uncertainty in nascent new regimes. Among them, several countries in particular stand out for their comparative value: the post-Bulldozer revolution Serbia, the post-Rose revolution Georgia and failed transition in Kyrgyzstan after the 'Tulip' protests. A range of transitions following the Arab spring and its reversal could also provide an insightful window on how top leaders work with their interest groups on their countries' foreign policies as well.

Further, it could be noted that one does not have necessarily to observe oligarchic groups for such causal mechanism to work. The party substitutes' functions in Ukraine are indeed captured primarily by oligarchs. However, if in transitional uncertainty a leader identifies and resorts to another group (or an individual) from his/her own political setting who is capable of delivering the necessary political and personal benefits, then indeed, such causal chain may be applied with a changed set of actors that would fit the political system under consideration. Therefore, I use a more generic 'sponsor' rather 'party substitute' term for this element of the causal chain. In this sense, the causal mechanism is wide open for subsequent extension to help us understand the foreign policymaking in thorny transitions that many countries around the globe so arduously undergo. With such openness to further elaboration, the theoretical contribution of the current research may continue to grow and be of use to both researchers, policymakers, and all those who strive to understand the entangled knots of political transitions from around the world.

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